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ECONOMIC AND SECURITIES INDUSTRY OUTLOOK
Frank A. Fernandez

SECURITIES INDUSTRY EMPLOYMENT
George R. Monahan
Bella Mardakhaev

MONTHLY STATISTICAL REVIEW
Grace Toto

SIA RESEARCH DEPARTMENT

Frank A. Fernandez, Senior Vice President, Chief Economist and Director, Research

Stephen L. Carlson, Vice President and Director, Surveys

Lenore Dittmar, Executive Assistant

Carmen Fernandez, Research Assistant

Bella Mardakhaev, Research Assistant

George R. Monahan, Vice President and Director, Industry Studies

Grace Toto, Vice President and Director, Statistics

SECURITIES INDUSTRY ASSOCIATION ▪ www.sia.com, info@sia.com
120 Broadway, 35th Floor, New York, NY 10271-0080 ▪ 212-608-1500, fax 212-968-0703
1425 K Street, NW, Washington, DC 20005-3500 ▪ 202-216-2058, Fax 202-216-2108

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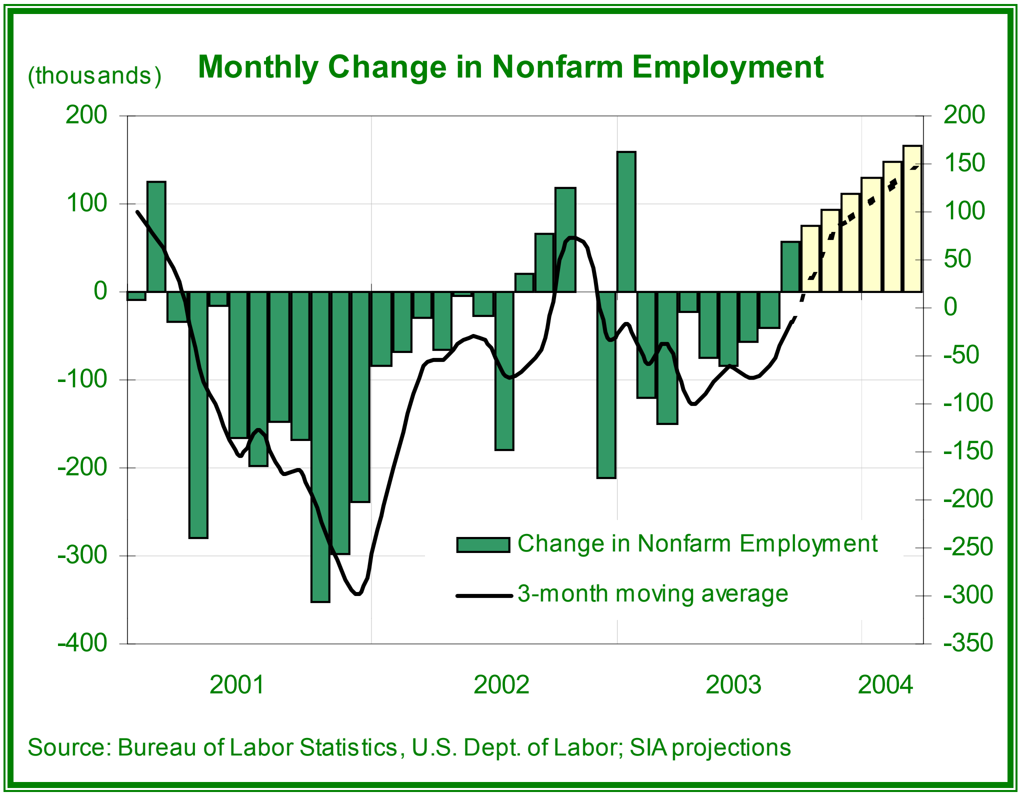
ECONOMIC AND SECURITIES INDUSTRY OUTLOOK

Economic Outlook

Introduction – The Priorities Now: "Jobs, Jobs, Jobs" – George H. W. Bush, 1991

One of the principal determinates of investor, consumer and voter sentiment at the moment is whether the U.S. economy can sustain a rate of growth sufficiently high enough to generate something more than modest gains in employment. Doubts intensified before the September non-farm payroll figures offered some hope, as, in net terms, 57,000 new jobs were added. This gain came after seven months of net job losses, but represents only about a third of the monthly job growth required to keep pace with the growth in the labor force, and failed to offset the 98,000 jobs lost in July and August. The other employment report prepared by the Labor Department, the Household Survey, paints a brighter picture, showing job growth thus far this year of about the same magnitude as the job losses reported in the payroll (Establishment Survey) numbers shown below.[1]

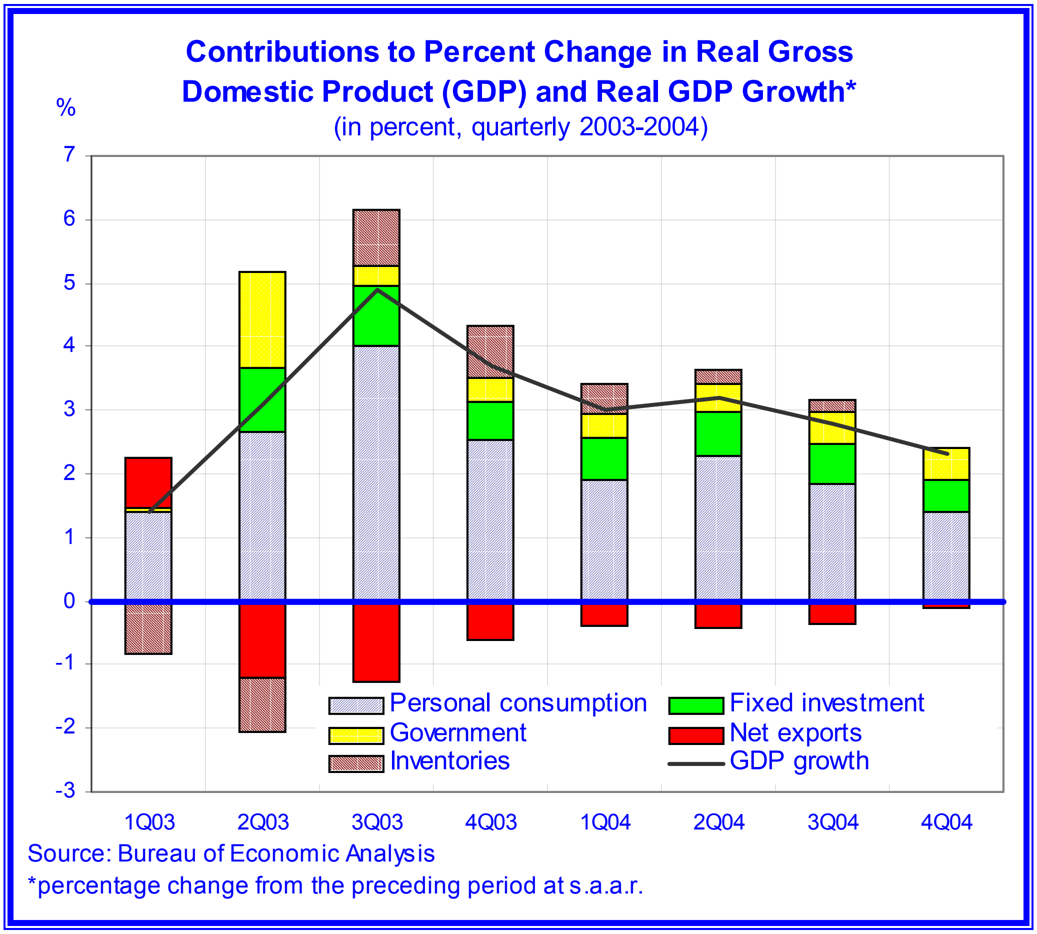


Currently the economy is surging and growth is expected to remain strong, albeit at a gradually moderating pace, across the course of next year. In response, job growth should strengthen in the months ahead. However, a similar recovery in employment appeared this time last year only to be quickly reversed, as the economy slumped at year-end 2002, and, partly in response, employers remain cautious in their hiring decisions. Examining the various sources of growth, their expected strength and persistence provides insight into the direction of sentiment, the

[1] For an succinct explanation of the differences between the two employment reports see Allan H. Meltzer, "A Job-less Recovery?", Wall Street Journal, September 26, 2003, p.8.

likely policy actions that will be taken in response to the evolving situation and the direction of the economy over the near term. Real growth needs to be sustained at a rate higher than that of the growth of productivity (output per person hour) long enough to affect hiring decisions before, with a lag, strong employment growth becomes visible. That sequence is already well under way, but will have to overcome moderating, but still strong, growth of productivity, outsourcing of jobs abroad, and a fall in the cost of capital relative to labor.

Real GDP growth surged to an estimated 5.0% annual rate in 3Q 2003, up from 3.3% in 2Q 2003 and a sluggish 1.4% rate in each of the two prior quarters. The continued acceleration caught many by surprise as the "consensus forecast" for the quarter just ended was raised from 3.6% in August to 4.8% in September, and most recently, 5.1% in October.



The principal reasons for the surprisingly strong growth in 3Q 2003 included:

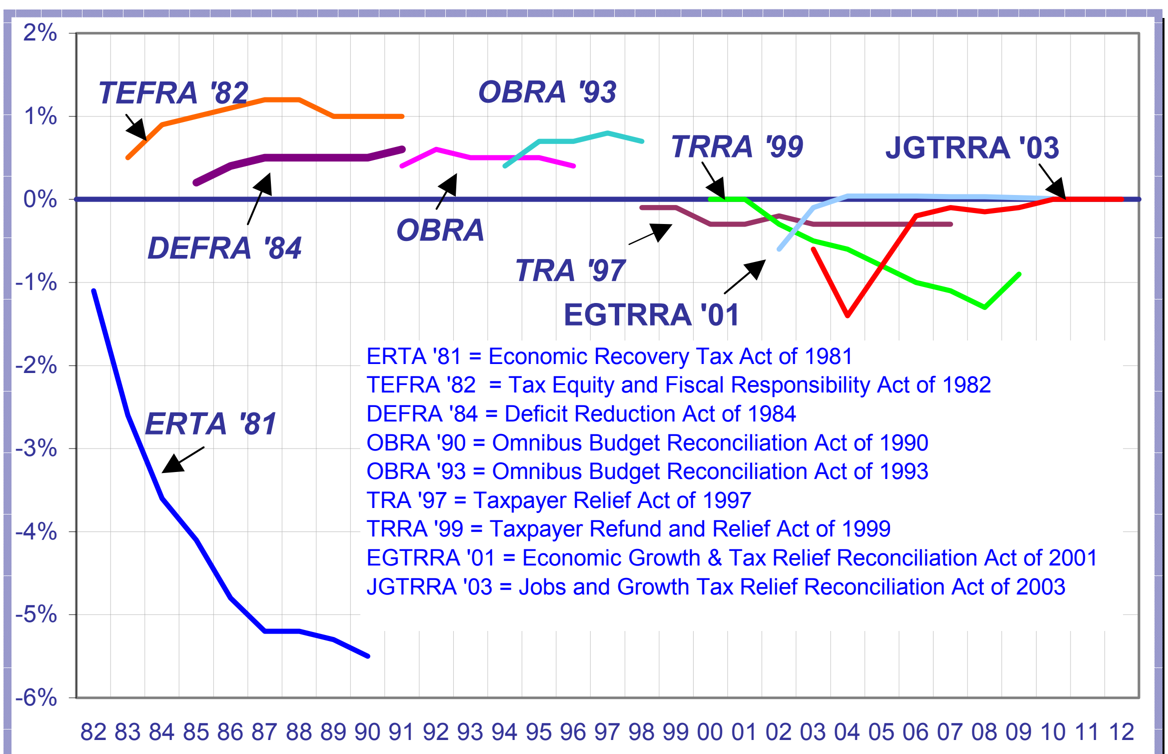
- highly stimulative fiscal policy;
- further monetary easing;
- a pickup in the long-awaited revival of business spending as profit growth exceeded expectations;
- a further boost to household purchasing power from the latest wave of mortgage equity withdrawals;
- positive wealth effects from a rebounding stock market;
- lower but still strong productivity growth;
- a weaker dollar; and
- the absence of inflationary pressures.

Most of the forces responsible for this acceleration were already in place this summer, and they vary widely in their importance and how long they will persist. For example, the child tax credit rebates were received and largely spent by consumers during 3Q 2003. This tax change added nearly $14 billion to household cash flows during 3Q 2003, while other tax changes boosted disposable incomes another $21 billion. While these measures boosted personal consumption expenditures in July and August, their impact is not expected to extend much further. Other sources of stimulus will continue to spur growth as 2004 opens, before dissipating across the course of next year, while still others, such as the nascent rebound in business fixed investment, are expected to gain strength over the forecast period.

Fiscal Policy - Highly Stimulative

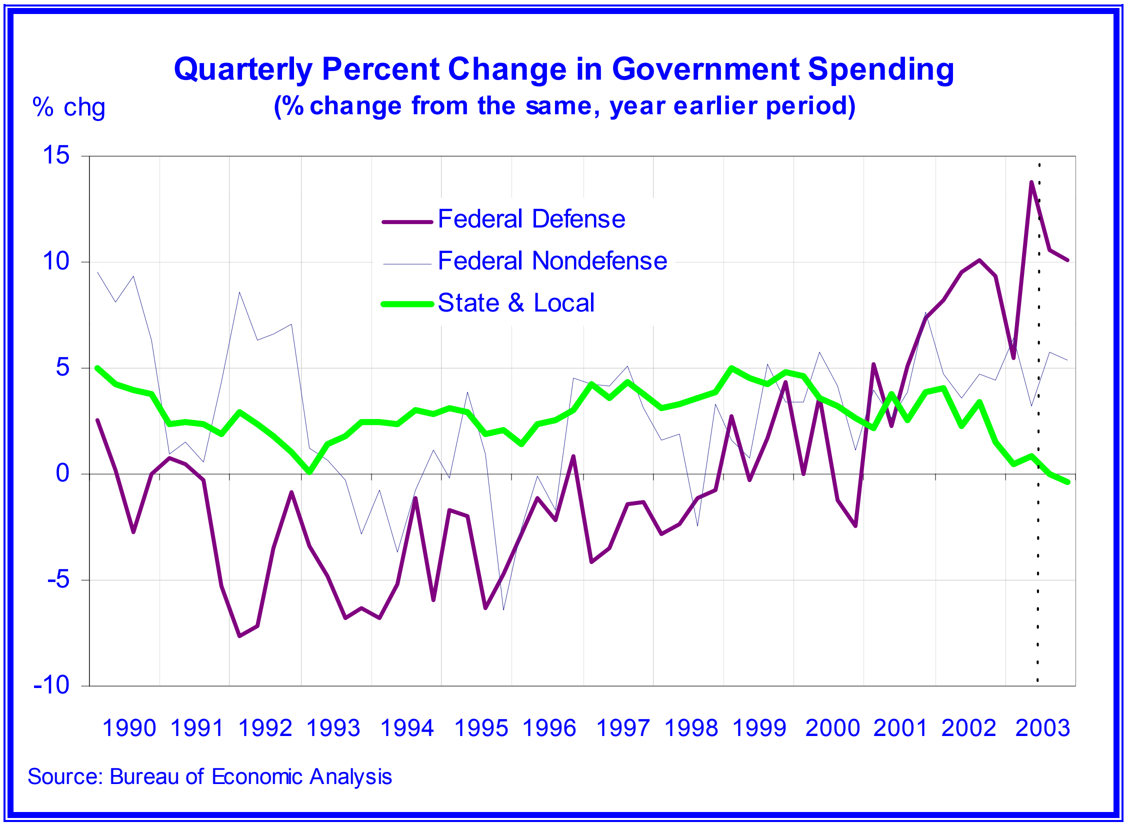
By far the most important reason for the surge in growth in 3Q 2003 was expansive fiscal policy, both due to the heavily front-loaded tax cuts and soaring federal discretionary spending, principally defense spending. The Jobs and Growth Tax Relief Reconciliation Act of 2003 (JGTRRA'03) reduced tax revenues by the equivalent of 0.7% of GDP in the fiscal year just ended (with virtually all of that stimulus arriving in the third quarter) and 1.5% of GDP during fiscal 2004. Most of the impact of these measures is felt in the first 12 months of their operation, making this the largest first year tax cut since the Economic Recovery Tax Act of 1981 (ERTA'81) under the Reagan administration.

Revenue Effects of Major Tax Bills
as a percentage of GDP (1982 - 2012)



Note: Minus sign indicates a tax cut, positive sign a tax increase.

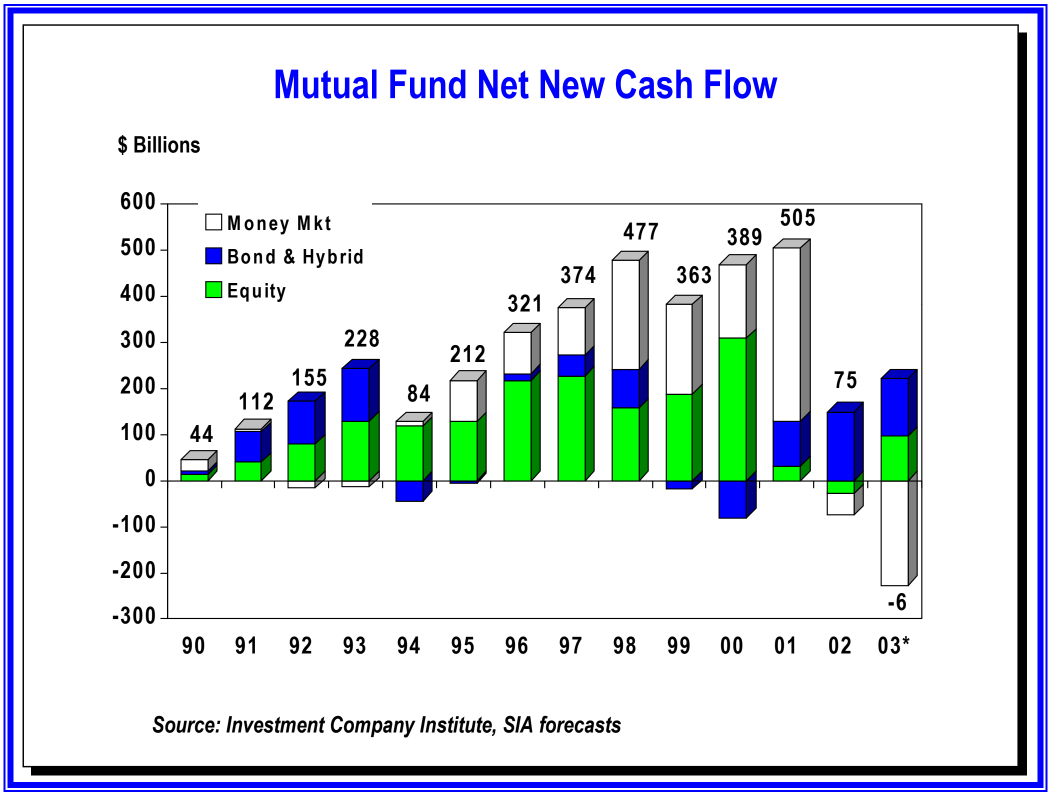
The other source of strong fiscal stimulus is sharply higher defense spending. During 2Q 2003, higher military spending accounted for half the increase in overall economic growth (1.7 percentage points of the 3.3 percentage point increase). Indeed, if it were not for higher military spending and a surge in purchases of motor vehicles (which contributed 0.9% to the total change in real GDP growth), overall growth would have been a mere 0.7%. These trends continued in 3Q 2003, with defense spending in real terms estimated to have risen 11.5% over year earlier levels; for 2003 as a whole, a real increase of more than 9% is forecast. Non-defense spending is expected to expand at a modest 5% rate, while real spending levels of state and local governments remain flat.

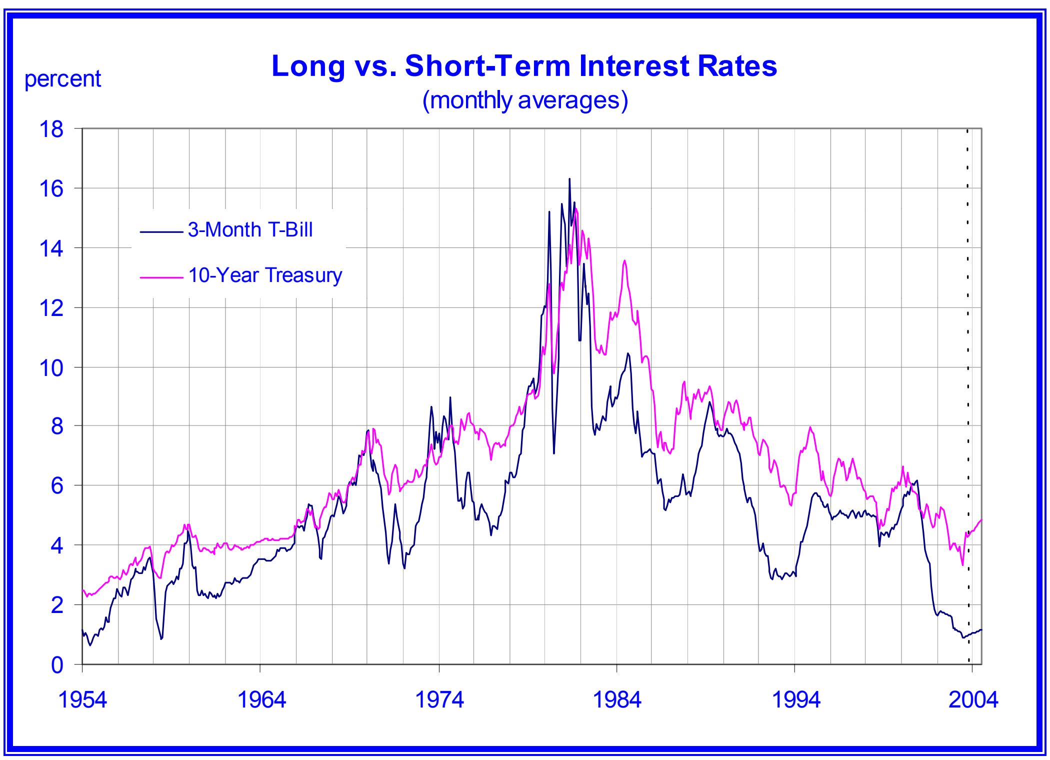


The federal deficit for the fiscal year just ended is expected to be less than was forecast this summer by either the OMB ($455 billion) or the CBO ($401 billion). Although defense spending surged, other areas of discretionary spending remain largely in check and tax receipts in the final quarter of Fiscal '03 came in above expectations. Higher revenues reflected the cyclical upswing in activity in 3Q 2003 as well as the boost to capital gains realizations from a resurgent stock market and substantial liquidations of bond holdings in tax sensitive accounts. Despite this positive trend, the deficit is still believed to have reached $390 billion, equivalent to 3.6% of GDP. In 2004, that shortfall is expected to rise substantially and exceed 5% of GDP.

Monetary Policy - Remaining Accommodative

Through the first nine months of 2003, the Federal Reserve's monetary policy stance remained extremely accommodative. However, no further stimulus is expected nor required, and late next year, tightening is expected. Growth of monetary aggregates remained strong and will continue to be elevated as long as, in the Fed's opinion, the threat of deflation continues to outweigh the risks of renewed inflationary pressures. Successive waves of mortgage equity withdrawals (MEWs)[2] and liquidation of money market funds (in response to negative real rates of return on short term instruments and 45 year lows on long term borrowing rates) supported the continued strong growth of monetary and credit aggregates.





[2] Mortgage equity withdrawals are the sum of the increase in home equity loans, equity extraction refinancings and net sales.

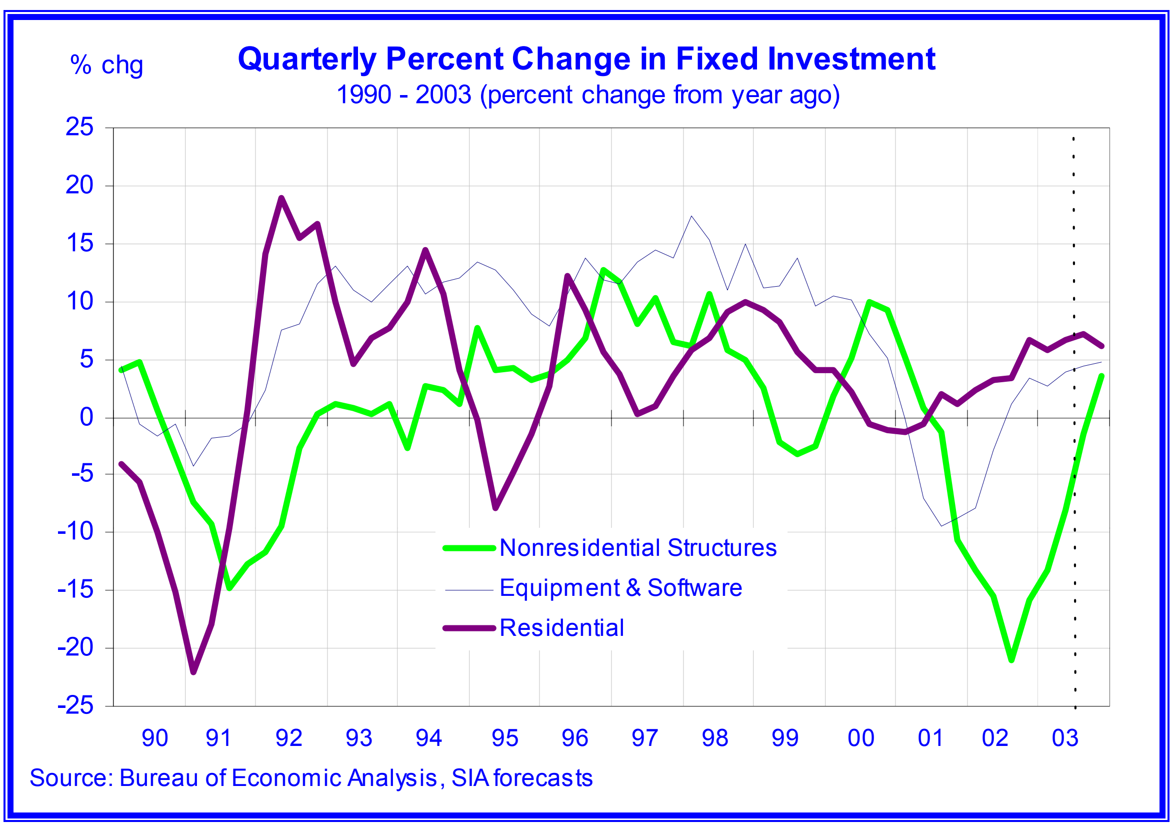
The markets reflect expectations that the Fed will remain "on hold" until the middle of 2004 and no increases in short-term rates are anticipated before then. Longer-term rates however are expected to rise, with the benchmark 10-year Treasury bond yield expected to close 2003 at 4.50%, and move to 5.00%, before the Fed raises short rates next summer.

Business Investment - Revival Gaining Strength

The relatively short, shallow recession that officially ended in November 2001 was the mirror image of most recessions in that it was led by a collapse in business fixed investment while consumption continued to grow. Since then corporate balance sheets have been repaired, and the growth of corporate profits is now exceeding expectations. In addition, order books are filling, setting the stage for a solid revival in business spending, which is a necessary prerequisite for a strong, sustainable recovery. The improvement in corporate credit quality was rewarded with a decline in spreads (corporate risk premiums) to cyclical lows, while investors' increased risk appetite supported record corporate bond issuance.

Further encouragement for capital spending is coming from:

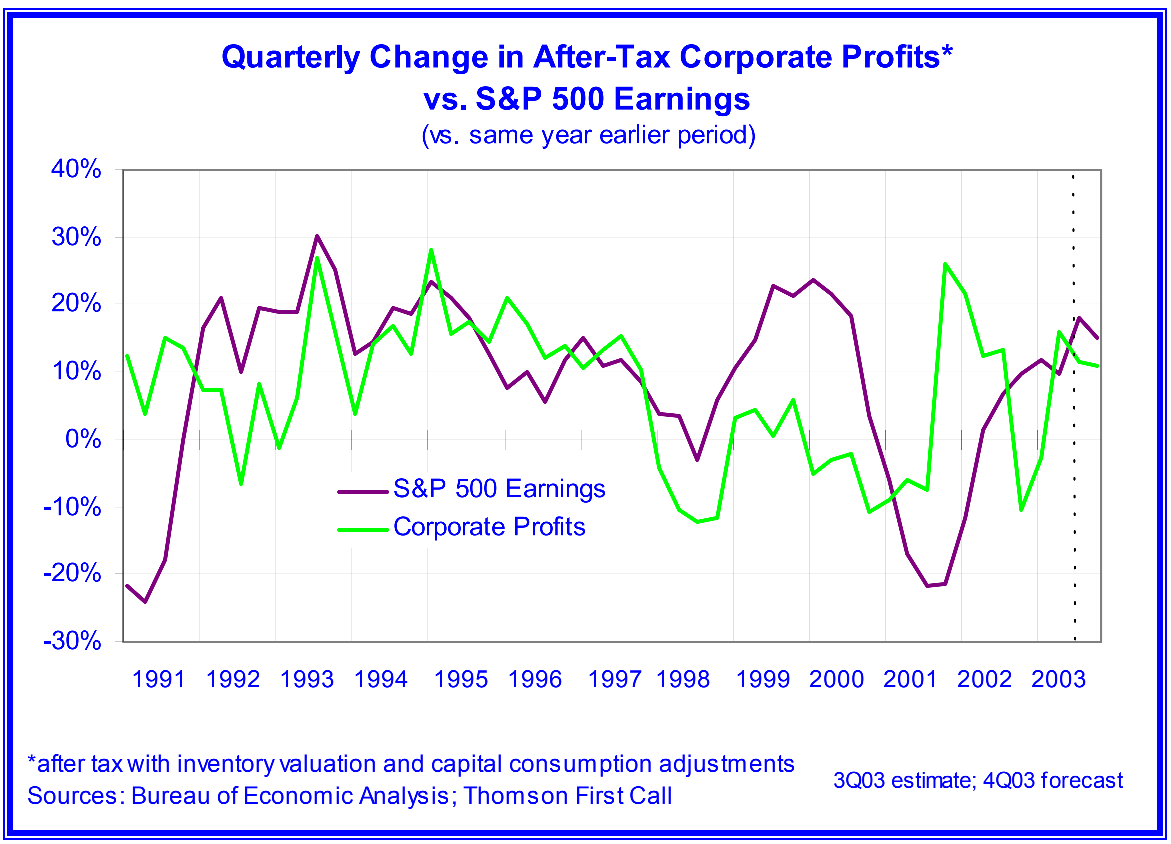
- additional first-year bonus depreciation write-offs (which boosted the immediate write-off to 50% for property acquired between May 5, 2003, and placed in service before January 1, 2005);
- cuts in capital gains and dividend tax rates;
- the rapid rate of obsolescence of existing capacity (the continuing strong flow of new, highly innovative products and services being introduced);
- and intense competition. Income statements now reflect the benefits of both the significant cost cutting of the past two years and the maturation of high capital spending prior to the downturn.



Non-residential (business) fixed investment grew at a robust 7.3% (seasonally adjusted annual rates – s.a.a.r.) in 2Q 2003 from the preceding quarter (moving above levels seen in the same period a year earlier), and a similar pace is estimated for the quarter just ended, as both components of this measure of business capital spending are finally showing strong growth. Equipment and software spending grew 8.3% in 2Q 2003[3], the fastest rate of expansion since the peak of the "bubble" in the first half of 2000. Fixed investment in non-residential structures grew 4.2% in 2Q 2003[3] after steep declines in eight of the past nine quarters. Survey data and anecdotal evidence suggest that even more expansive capital spending plans are now being drawn up for next year's budgets.

Corporate Profits - Beating Expectations, and Moving Higher

Third quarter 2003 earnings for S&P 500 companies are expected to be up, on average, 14.7% according to Thomson First Call data, and 21% in the final quarter of this year. Actual earnings (for September-reporting firms, which emerge in coming weeks), should continue to beat Wall Street estimates, as they did in August, and register growth of 18%-20% for the third quarter as a whole. Financial institutions are among the leading sectors in this advance, with analysts anticipating earnings growth of 42% on average in 4Q 2003. This too might prove conservative, with one part of the financial sector – the securities industry – on track to produce record profits in 2003.



What is perhaps most encouraging about the current surge in corporate earnings is that the "overperformance" is finally coming from top-line revenue growth, which has been strong enough in the past six months to allow for higher corporate spending in budget plans for the

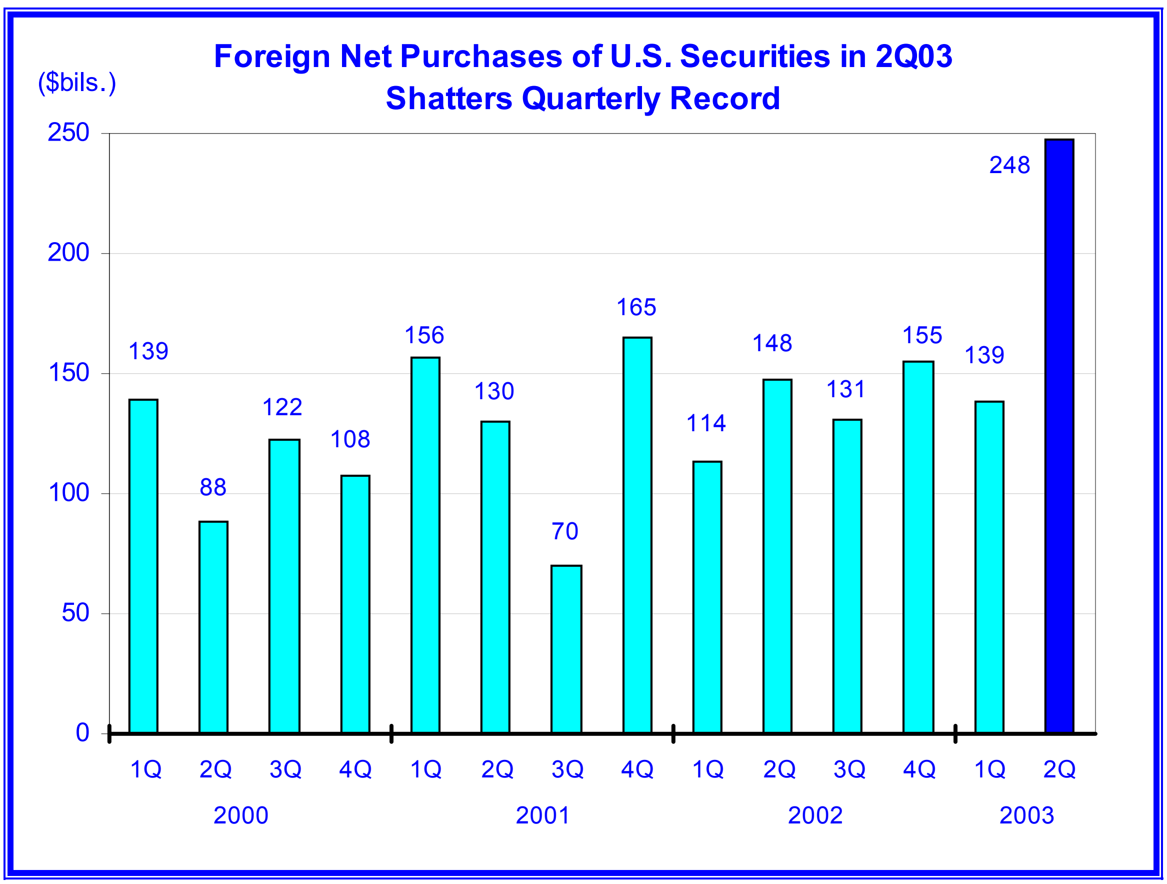
[3] at seasonally adjusted annual rates(s.a.a.r.) relative to the preceding period.

coming year. Coming positive earnings "surprises" will boost business sentiment further. This and rising corporate spending will help make the expansion appear more sustainable, and hence job creating.

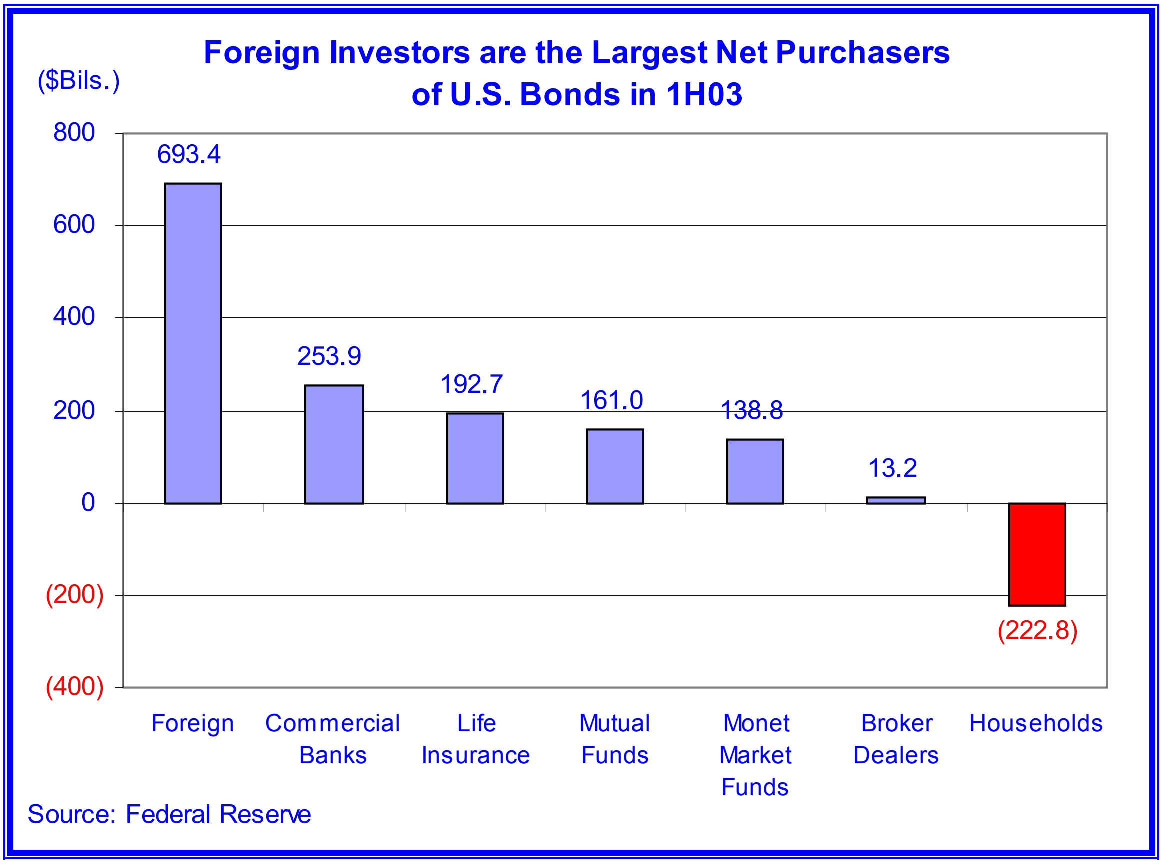
Risks To The Forecast – Improved Resiliency Bodes Well

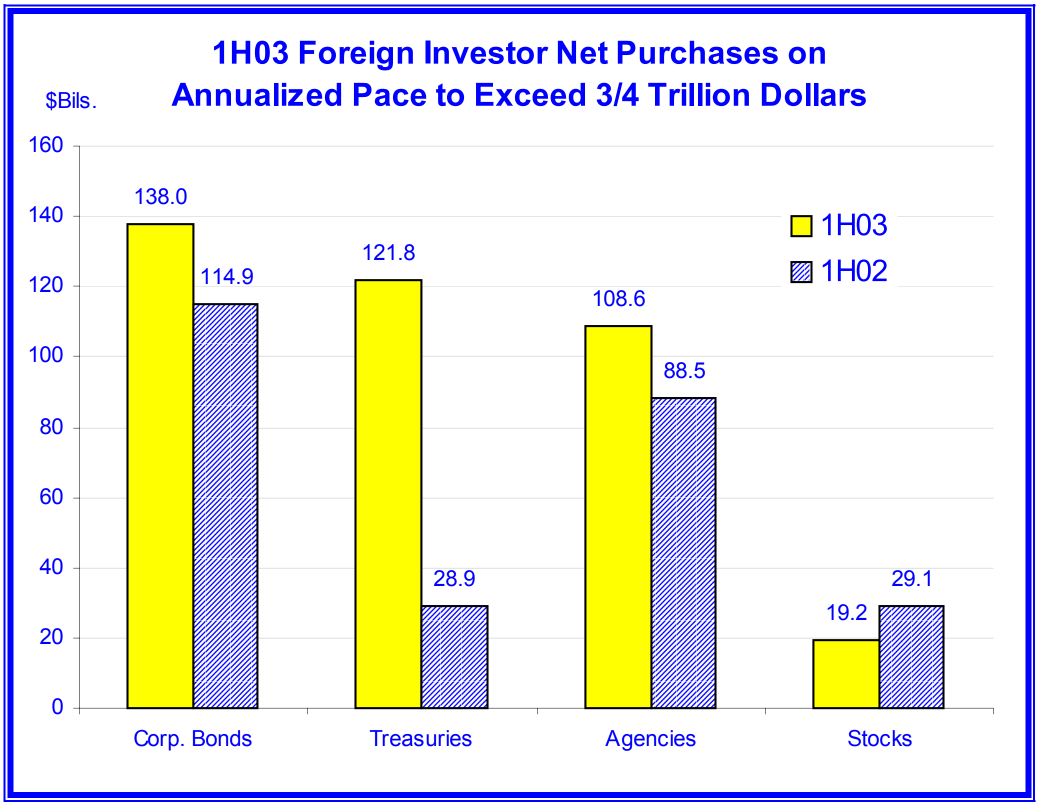
Recently, concern rose and now appears to be fading that the dollar, which is headed to five year lows against major European currencies, would begin disorderly secular declines vis-à-vis Asian currencies. Although ***equity and exchange market volatility*** did rise after the G-7 meeting, these concerns appear overblown. Although the Japanese did allow their currency to move to a trading range of Y110-114 from Y115-122 prior to the G-7 meeting, another peg down does not appear imminent and will continue to be controlled when it does come. For now, the nascent Japanese recovery appears too fragile to risk further yen appreciation choking off export growth. The Chinese seem even less likely to adjust their peg to the dollar, much less allow the renminbi to freely float.

Although currencies are notoriously hard to predict, most indications point to a period of dollar declines. European Central Bank (ECB) officials appear more concerned with the image of the Euro than the strength of their economies. Growth in the Eurozone is expected to be no more than 1% to 1¼% in 2004, but base short-term rates are likely to remain at 2%, a full point above those in the U.S. Clearly, European authorities are much more likely to accommodate dollar depreciation, and markets are likely to oblige as 2003 comes to a close. The euro is expected to build on recent gains, rising to $1.20/euro over the next 3-6 months.



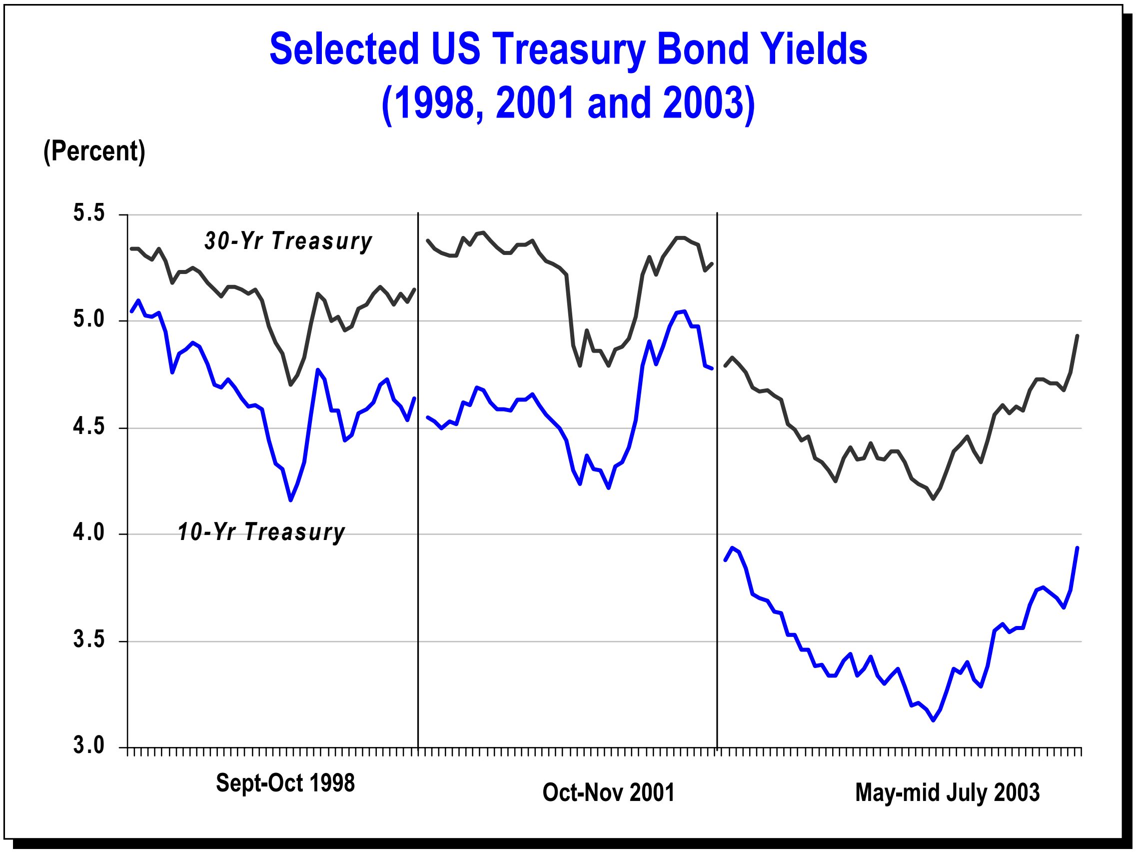
However, Asia is another matter. Reflecting their intervention, foreign net purchases of U.S. securities continued to surge in 3Q 2003 after shattering the quarterly record in the prior quarter, and are on pace to exceed three-quarters of a trillion dollars for 2003 as a whole. Japanese currency intervention (largely purchases of U.S. Treasury bonds) alone amounted to $38 billion in September and are estimated at more than $10 billion in the first week of October. If anything, U.S. securities, particularly equities, appear more, rather than less, attractive as the fourth quarter opens. Net foreign purchases of bonds are expected to remain strong although below the blistering pace seen year-to-date.





The U.S. trade deficit, meanwhile, continues to expand and will remain a drag on overall economic growth well into 2004. This is despite a revival in the growth of exports, which expanded at an estimated 7% annualized rate in 3Q 2003, because import growth was proceeding at more than twice that pace in real terms. Although export growth is expected to accelerate in 4Q 2003 and beyond and import growth to moderate over the forecast period, the U.S. trade deficit is forecast to exceed $600 billion next year. Given the size of this imbalance, dollar depreciation might well be "unavoidable", as departing European Central Bank president Wim Duisenberg recently said, but this move is unlikely to occur soon nor suddenly, and when it does, it will only trim the trade deficit with a lag. For now, the growing external account shortfall will be seen for what it is – a sign of relatively faster growth in the U.S. and relatively more attractive investment opportunities here than abroad. This will continue to drive strong net capital inflows and a wider trade deficit.

Concerns over systemic financial "shocks" are also abating, as the "summer of convexity" came to an end and anxiety over capital flow reversals proved misplaced. Financial "shocks" are periods when the prices of financial assets move violently and suddenly, either as a whole, as an asset class or individually with respect to one another. Almost by definition these shocks aren't foreseen. Unforeseen risk, risk that is neither fully hedged nor mitigated, is always of greatest concern to investors. The performance of financial markets in three recent "shocks", shown below in terms of their impact on Treasury bond yields, has demonstrated on-going improvement in risk management practices by market participants and increasing resiliency of markets. This bodes well for the U.S. economy given the growing imbalances in the trade and fiscal accounts and the ongoing shifts in portfolio flows.

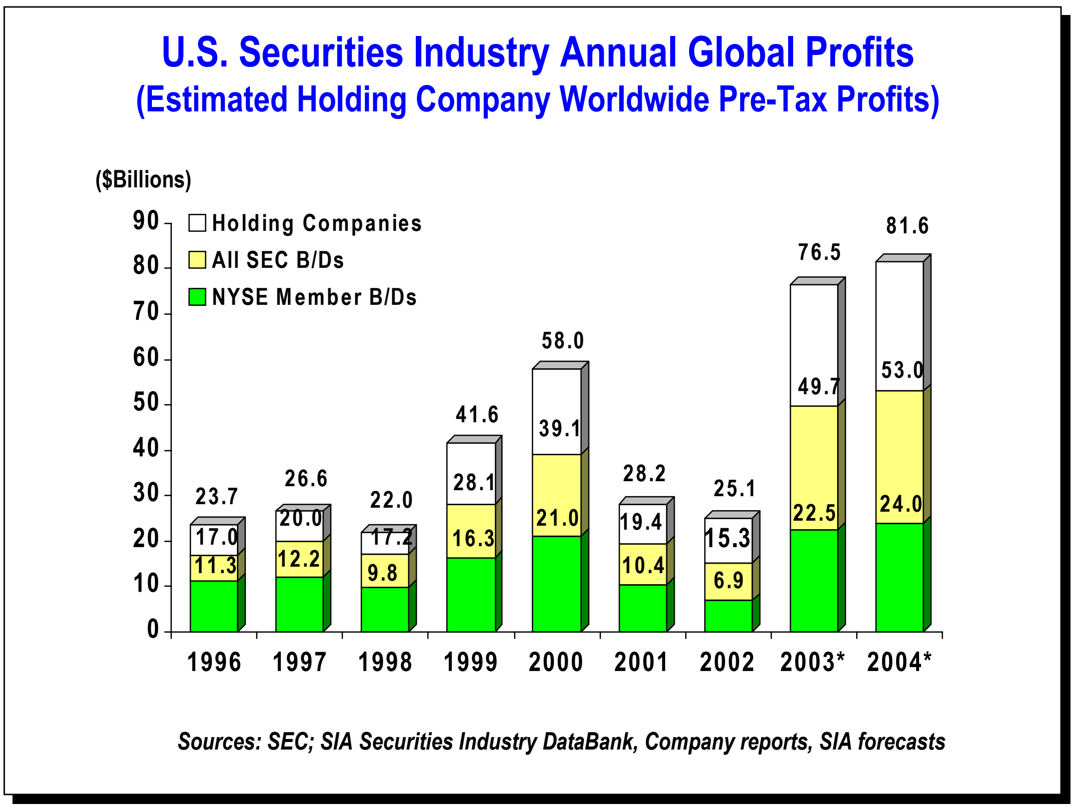


The principal risk to the forecast is that consumer confidence, which declined in August and September to its lowest level since April, does not rebound with an improving employment outlook, and consumer spending fails to maintain the strong pace it has shown thus far this year. Consumers are clearly overextended. Aggregate household debt has soared in the past three years from 68.7% of GDP in 1Q 2000 to 82.7% of GDP in 2Q 2003, while homeowner equity has fallen from 58% of the value of their appreciating homes to 54.3% in 2Q 2003. Higher fuel prices as we move into the winter heating season are not an encouraging sign, and as interest rates rise in 2003, late payments on home equity loans (already at 12-year highs) and on auto loans (now starting to rise) will increase, and higher debt service burdens in late 2004 will trim expected consumer demand. Should households choose to raise their abysmally low savings rate, the economy would grow more slowly.

Securities Industry Outlook

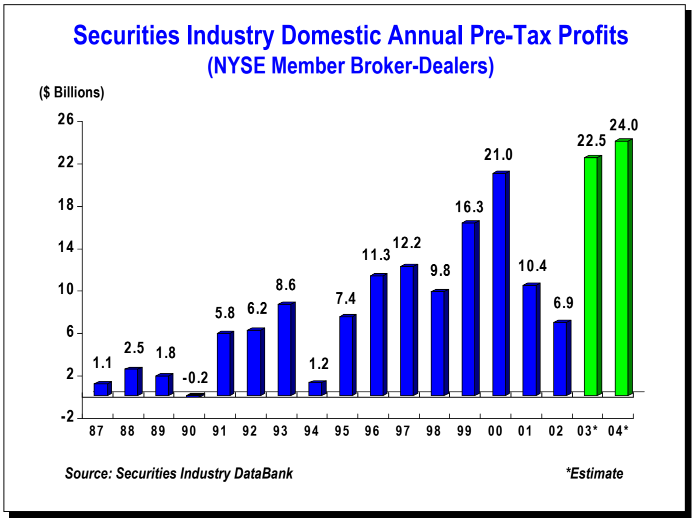
Summary – On-track to earn record profits in 2003

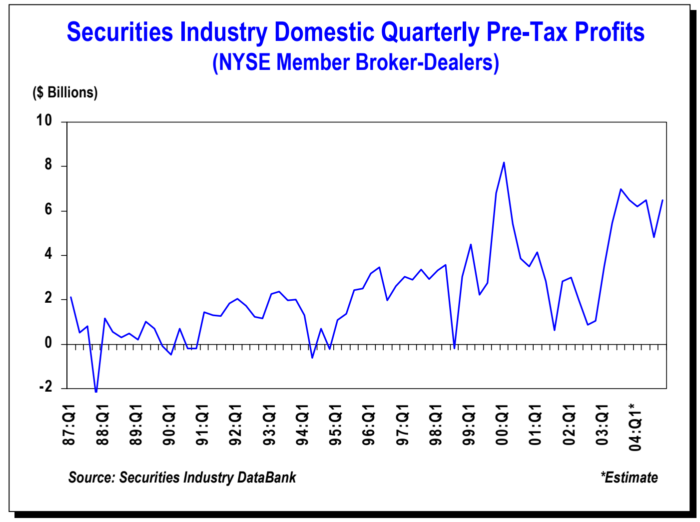
The U.S. securities industry is projected to earn record profits in 2003, as revenue growth strengthened and became more broadly based in the quarter just ended. The industry managed to maintain profitability, albeit at sharply reduced levels in 2001 and 2002, through sharp cuts in expenses that outpaced the plunge in revenues from record levels reached in 2000. Total revenues, as well as net revenues (revenues net of interest payments) began to stabilize in the first half of 2003, but the improvement was narrowly based, centered in the fixed income side of the business (specifically bond issuance and bond trading, both for customer and proprietary accounts). Profits in the first half of 2003 for NYSE-reporting firms reached $9.0 billion, more than in all of 2002 and the second best first-half performance ever.



Improvement continued in 3Q 2003 and revenue growth became more broadly based as signs of a recovery appeared in nearly all product and service lines provided by the industry, including severely depressed areas such as IPO issuance and domestic M&A advisory services. This has allowed for a modest resumption of hiring and a rise in industry compensation, which is particularly welcome news for local or regional economies where the industry is heavily concentrated, such as New York.

For 2003 as a whole, pre-tax profits for NYSE member broker-dealers are expected to reach $22.45 billion, more than triple the $6.92 billion earned last year and above the previous record year of 2000, when profits reached $21.0 billion. The trend is seen as sustainable, with industry profitability expected to continue to grow in 2004, but at rates more in line with the broad recovery in corporate profitability nationwide, and to top $24 billion for the year as a whole. Similar patterns observed for NYSE member-firms are expected for the securities industry as a whole and for the broader sector of all financial institutions.

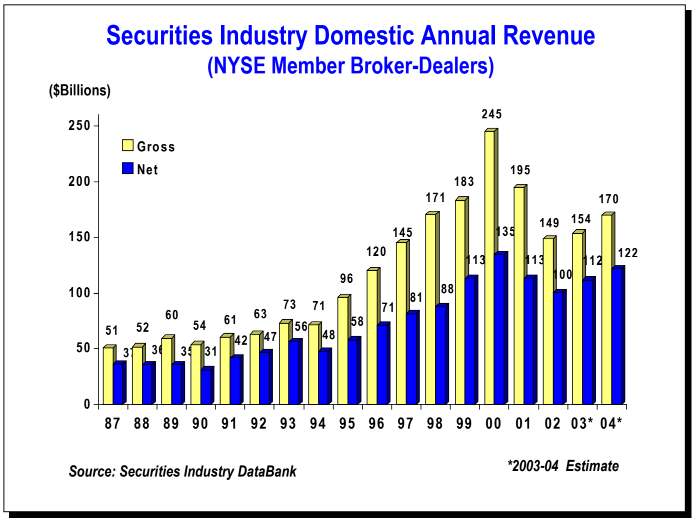


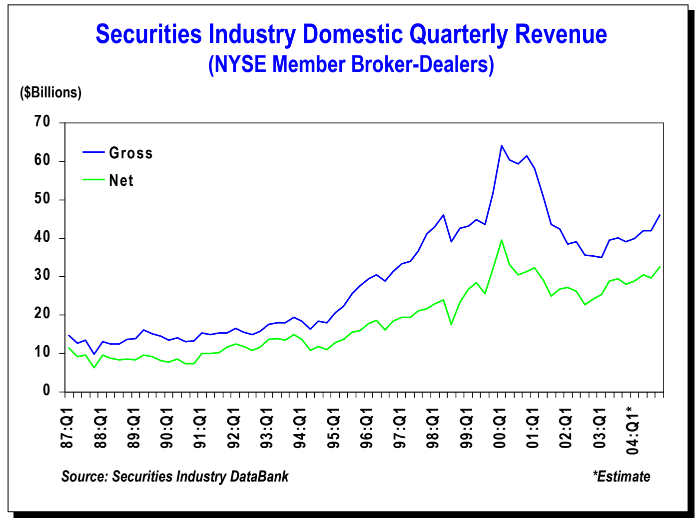


Revenues - Total revenues reached $39.5 billion in 2Q 2003, up only 1.3% above the same quarter in 2002, but 12.7% higher than total revenues in 1Q 2003. In 3Q 2003, the opposite pattern emerged, when total revenue topped $40.1 billion. While this was only a 1.5% gain over the preceding quarter, it was 12.6% above receipts in 3Q 2002. Using extremely conservative assumptions for 4Q 2003, total revenues are expected to reach $153.7 billion for this year as a whole, up 3.4% from 2002 full year results.

Net revenues (total revenues net of interest expense) present a clearer picture of the industry's performance. Net revenue, which reached $100.2 billion last year, is expected to top $111.8 billion this year, an increase of 11.5%, followed by another 9% gain in 2004. Most of the credit for this rise belongs to trading gains (largely gains from debt trading), which are expected to double this year to $26.7 billion, as the Fed's easing combined with its increased transparency made it significantly easier to anticipate the direction of these markets. The firms' own investment accounts also jumped and are expected to add another $3.8 billion to revenue, as proprietary traders have also taken advantage of the greater predictability of market moves.

Underwriting revenue (again due largely growth in bond issuance activity) is expected to be up nearly 27% this year, and top $16.7 billion. Mutual fund sales revenue and asset management fees both appear to be growing at better than an 8% annualized rate thus far this year but that rate is expected to decline. Commission and fee income, long in decline, is also growing again in late 2003, up nearly 7% in 3Q 2003, both due to stronger trading volume and a slight uptick in the average amount firms earn on individual trades. This is particularly good news for retail firms, which depend most on this income source, and a further 8% increase is expected next year. As 4Q 2003 begins, even the most depressed product and service lines offered by the industry, namely earnings from IPO issuance and domestic M&A advisory services, appear to be expanding again and should show further recovery in 2004 from extremely low levels reached last year.





Expenses – Interest expense and compensation expense jointly accounted for 71.6% of total expenses for the securities industry in 2002. This high proportion is down from historic levels, as interest expense fell 62% from 2000 levels and total compensation declined 23%, as securities firms cut costs across the board to outpace the fall in revenues and preserve profitability and margins over the past two years.

Although interest rates have bottomed at historic lows, interest expense continues to decline in late 2003. Compensation however is rising, a clear sign of the turnaround of the industry and the end to the long slump. Compensation costs for NYSE member firms, which fell from $69 billion in 2000 to $53 billion in 2002, rose at an annualized rate of 4.6% thus far in the first half of 2003. This would lift total compensation to $55.6 billion, before including higher than expected production payouts and discretionary bonuses to be paid out before end-year as record profits boost these forms of variable compensation in the second half of this year.

Higher employment will also boost total compensation in the months ahead. Already this year (through August) the industry has added 7,000 jobs since hitting May employment lows, which is roughly 1% growth in the work force, and new hiring is expected to pick up measurably in 4Q 2003 and beyond as confidence in the durability of the industry's recovery becomes more widespread.

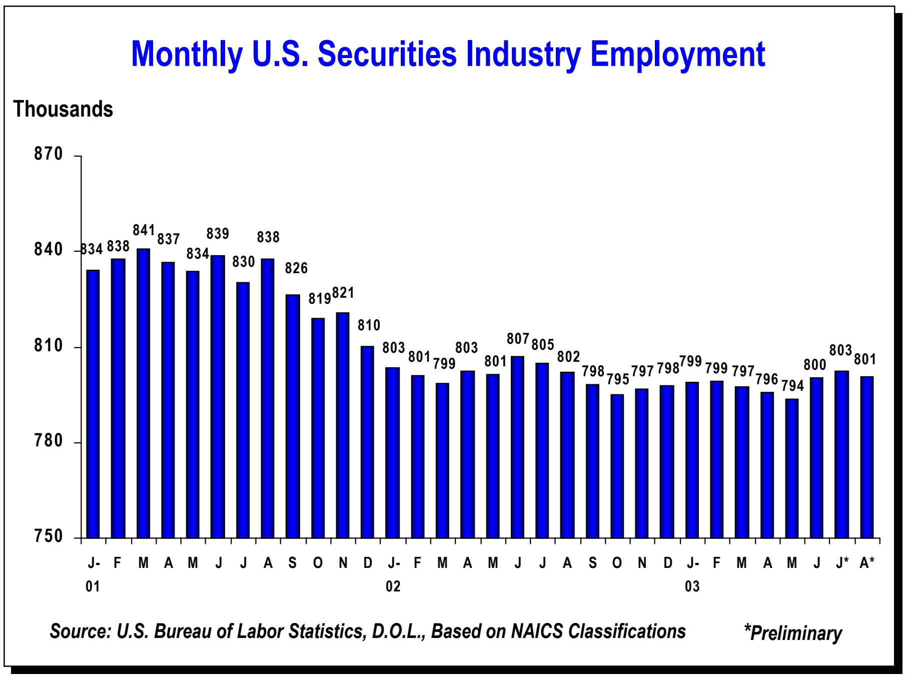
More detail on the recent performance and near term outlook for the U.S. securities industry will be available to subscribers in the upcoming issue of SIA's ***Trends***.

Frank A. Fernandez
Senior Vice President, Chief Economist and Director, Research

SECURITIES INDUSTRY EMPLOYMENT

Nationwide Job Market

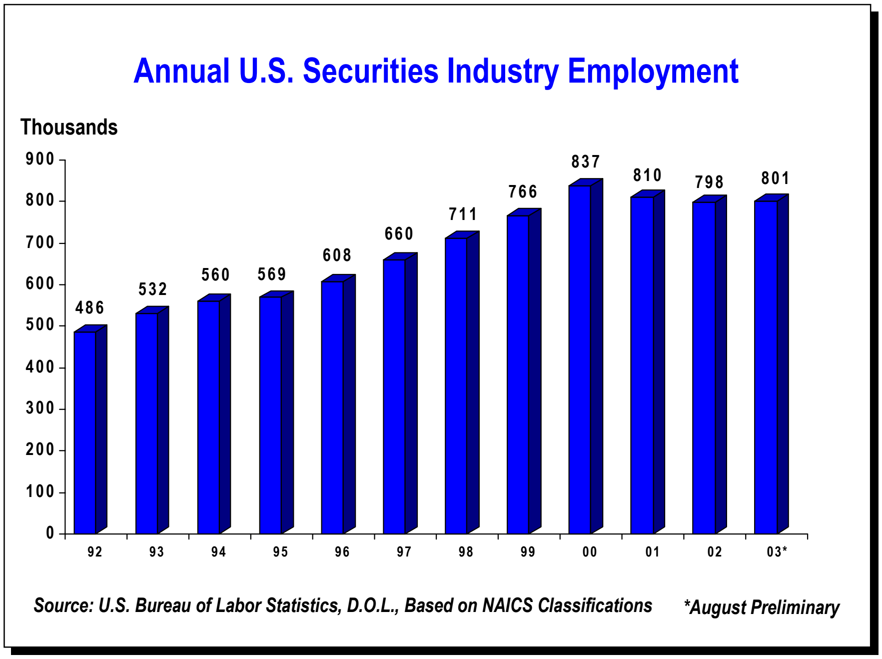
Preliminary data shows national securities industry employment falling back to just above June's level this August but showed New York State's and City's number of jobs rising, according to the U.S. Department of Labor's Bureau of Labor Statistics (BLS)[1]. After enormous increases in the past two months, preliminary August data indicates national employment was cut by 2,000, declining back to 800,600 which is just above June's 800,400. Since May's recent low of 793,700, national securities employment gained a total of 8,900 jobs (1.1%), reaching the peak for the year of 802,600 in July (preliminary). This was also the highest employment level since last August. The highest spike up, however, was in June – an increase of 6,700 jobs, from 793,700 in May to 800,400. This was the largest monthly gain in three years, since the 8,900 or 1.1% gain in July 2000.



The preliminary August national employment drop of 2,000 (2,400 for the 49 states other than New York) is suspect as all indications are for employment gains nationwide and revised data will likely show it shift back up. New York State's and City's data shows an increase this August and July's data was revised upwards. The industry also posted its two best profit quarters in over two years and all evidence is that the industry has finally turned the corner for activity and profitability. Furthermore, we are experiencing the first meaningful improvement in stock prices and activity in quite some time. After sinking to lows in mid-March, which nearly touched the five-year lows set last fall, benchmark indices such as the DJIA, S&P 500 and Nasdaq Composite staged a powerful six-month rally, rising to their highest levels in over a year, with all major stock indices still posting double-digit returns for the second and third quarters of 2003. This bodes well for a reversal in the prior layoff trend, where occasional spikes in employment were followed by reversals to new lows, and we expect a trend in increased employment to be confirmed over the balance of the year.

[1] The U.S. Bureau of Labor Statistics (BLS) employment figures utilize the new North American Industry Classification System (NAICS) for the securities and commodities industry. This includes: investment banking and securities dealing; securities brokerage; miscellaneous financial investment activities; miscellaneous intermediation; commodity contracts dealing; commodity contracts brokerage; securities and commodity exchanges; portfolio management; investment advice; trust, fiduciary, and custody activities, and miscellaneous financial investment activities. These figures are partially obtained from enrollment data for unemployment benefits and thus BLS figures will lag securities industry announced layoffs until completed, layoff packages expire, and unemployment benefits are applied for. Employment data can be obtained on the BLS web site at: http://data.bls.gov/labjava/outside.jsp?survey=ce

Securities and commodities industry employment reached an all-time apex of 840,900 in March of 2001 and then declined by 47,200, or 5.6%, over the next two years to a recent nadir of 793,700 jobs in May 2003. Again, preliminary data shows a total 1.1% increase for June and July 2003 and a slight decrease this August (-0.2%).



Year-end annual data showed a steady increase of jobs in the industry through December 2000 to 836,900. This was followed by two years of declines to 810,200 and 798,000 at year-end 2001 and 2002, respectively. By July 2003, we were already above last year's close with five months to go. It would take an additional 4.0% increase in employment in the next four months to return to year-end 2000 record levels, which is a possibility as long as the current favorable environment accelerates for the industry.

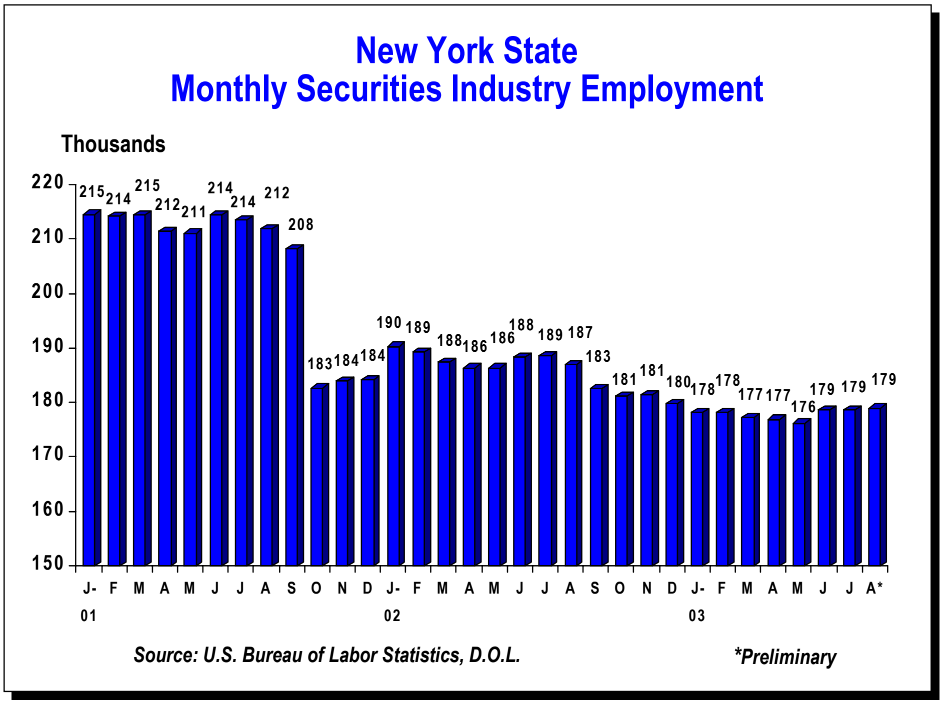
New York – Biggest Job Losses but Recent Gains

New York, as usual, experienced the vast bulk of the job declines during the recent securities industry recession. This was due to the same forces that inflicted severe securities industry job losses in New York during prior industry recessions. These include: the heavy concentration of total industry employment in the state and city; New York's concentration of highly specialized, and highly compensated areas such as investment banking, securities and derivatives trading, arbitrage, and New York's tendency to lead the U.S. in a recession's onset and lag in its reversal.

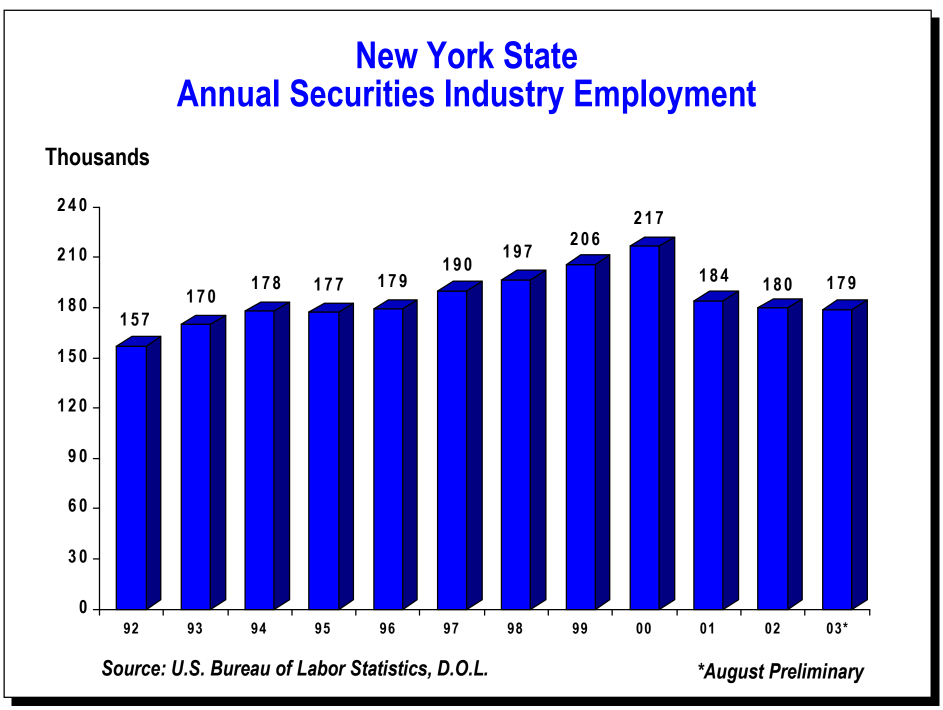
New York State's securities and commodities industry employment reached its peak of 216,700 in December 2000 when layoffs began, a full quarter prior to the national employment peak. Over the next 29 months, the State lost a record 40,500 securities industry jobs, or 18.7%, falling to 176,200 by the end of this May. That equaled 86% of the nationwide job losses of 47,200 experienced over two years, leaving the other 49 states with only a 1.1% decline in securities industry employment in two-plus years vs. New York's 18.7% total decline.

Of course the biggest drop-off ever came in the month following the World Trade Center terrorist attacks – a record 25,500 industry job losses in New York, or 12.2%. These came from casualties, job relocations out of state (some temporary, some permanent), temporarily dislocated workers with no physical offices to report to (closed or destroyed), and actual long-term downsizing.

Nevertheless, New York also had a 1.4% gain in securities employment this June, a 2,400 spike in headcount, the best increase since January 2002. July's data was revised upwards and currently is at the same level as was in June. Preliminary August figures for New York indicate a slight increase of 400 jobs, bringing the total gain since May to 2, 800 or 1.6%.

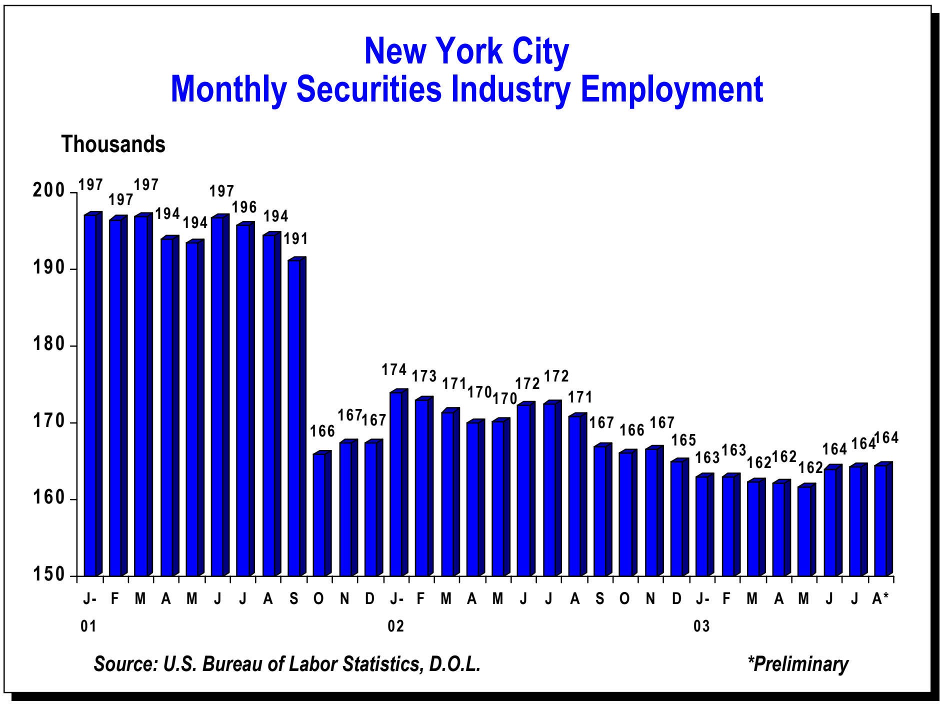


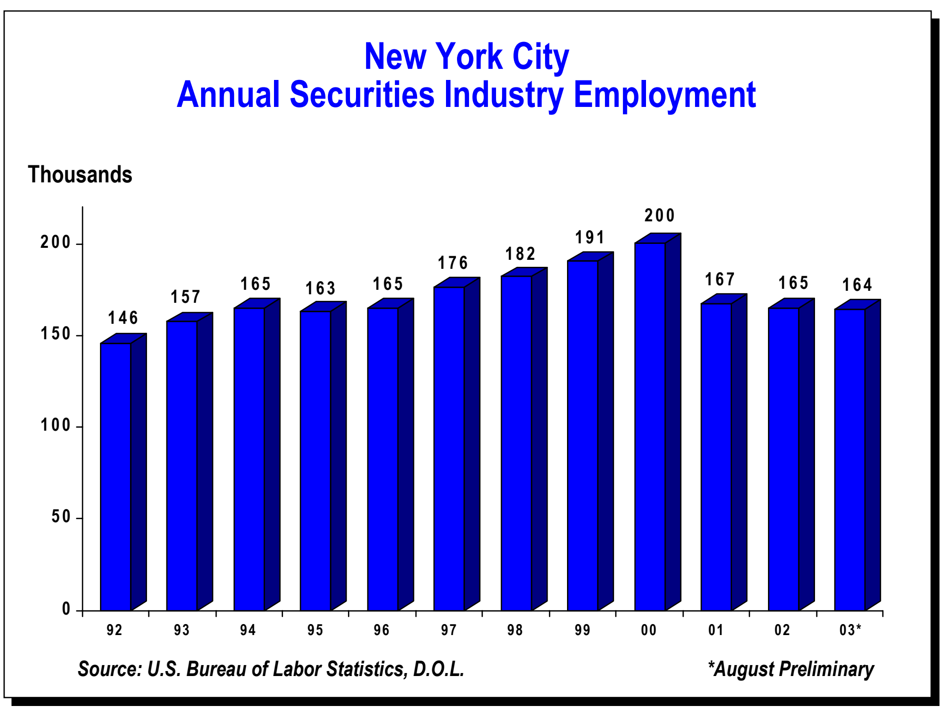
Despite June's and August's uptick, securities employment in New York State is still below August 1994 levels, nine years ago.



New York City Accounted for Over Four-Fifths of Nationwide Securities Job Losses

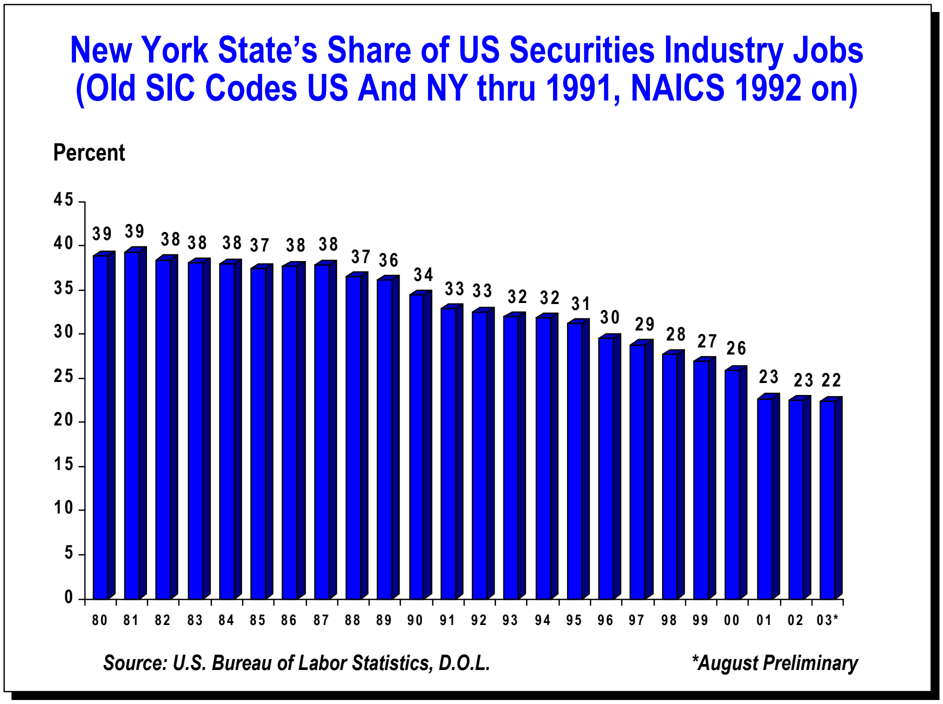
Securities and commodities industry employment in New York City, virtually all in Manhattan and accounting for 92% of statewide securities employment, also reached its all-time peak in December 2000 at 200,300. Over the next 29 months, the city's securities industry lost a record 38,700 jobs, or 19.3%, as employment sank to a recent nadir of 161,600 in May 2003. Amazingly, the single Borough of Manhattan accounted for 82% of the total nationwide reductions in securities personnel over two years. Again, even with three monthly consecutive increases, going from May's recent low of 161,600 to 164,400 in August, up 1.7%, the city's securities workforce is also at the same level as was nine years ago.

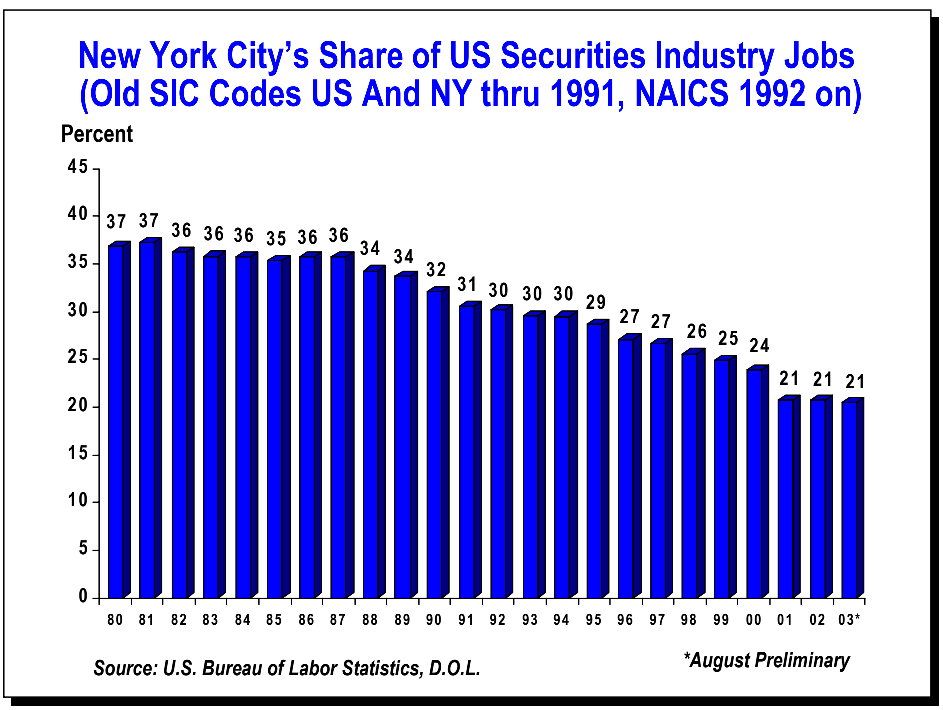


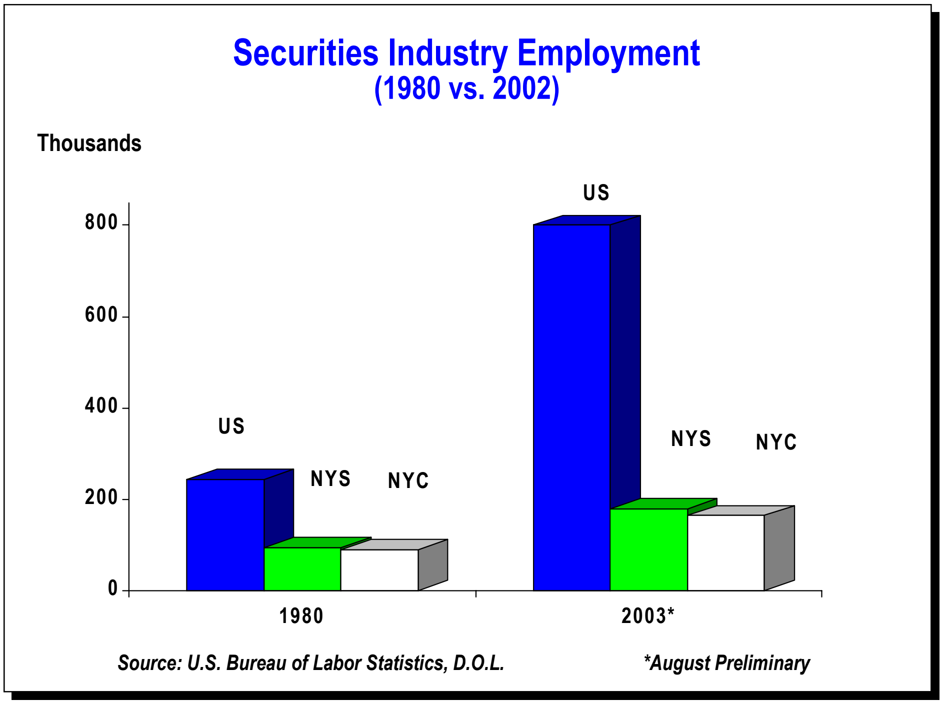


New York's Shrinking Share of U.S. Securities Industry Jobs

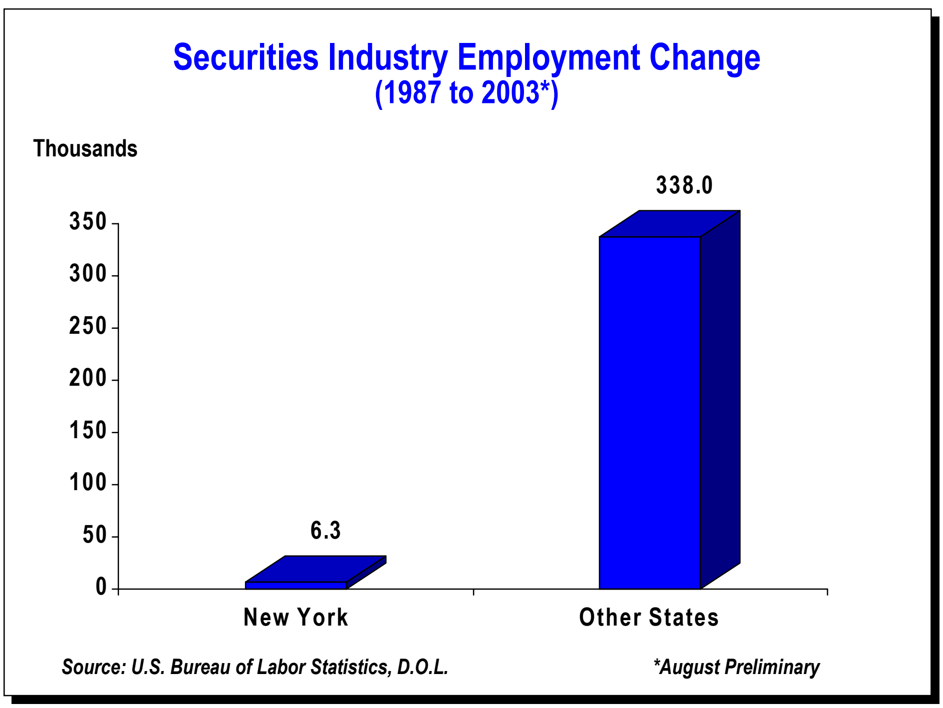
The brutal job losses experienced in New York the past two years merely accelerated a long-term trend in industry employment. New York State and City securities and commodities industry employment has been shrinking relative to its national employment for decades. New York State and City's share of U.S. securities jobs was cut nearly in half from 1980 to 2003, falling from 39% and 37%, respectively, to 22% and 21%.





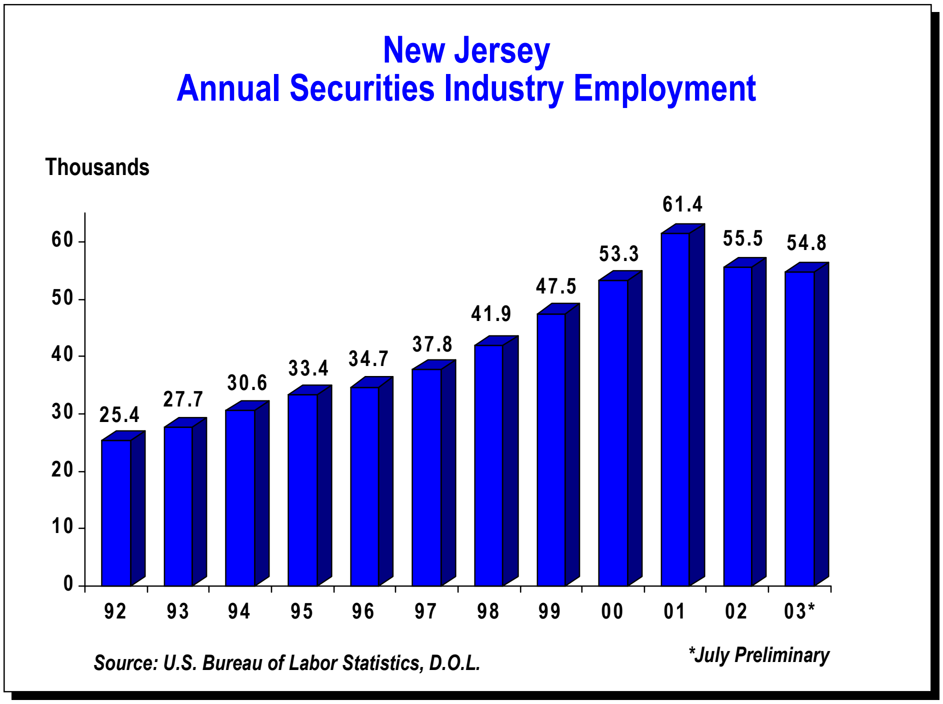


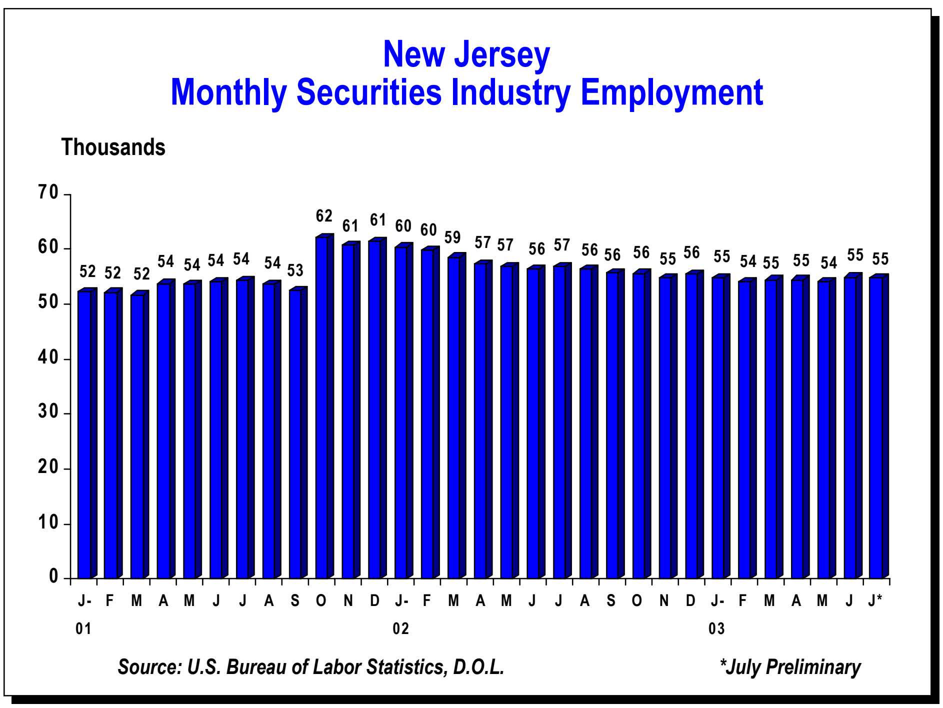
Although New York State still commands 22% of the securities and commodities industry's workforce, the number of net new securities industry jobs created in New York since the 1987 stock market crash is only 1.9% of the number created in the other 49 states through this August.



New Jersey 's Securities Industry Benefiting at New York's Expense

New Jersey's security and commodity industry employment grew 215% from 1990 to 2001 (December to December), yet fell by 5,900 jobs last year, a decrease of 9.6%. However, this was mainly due to a year-end spike in 2001 following the WTC tragedy with temporary relocations across the river in 2001 reversed in 2002.





New Jersey's monthly security and commodity employment numbers picked up sharply in October 2001 by 9,700 jobs while New York City's and State's securities employment fell sharply following the September 11th attack and WTC relocations. Some of these jobs migrated back to New York in the following months while the New York securities recession spanned the entire Metro-area, bringing New Jersey down to its lowest employment level since the WTC attack – 54,100 jobs by May 2003. June figures for New Jersey also show a 1.5% uptick, followed by a slight 100 jobs loss in July, matching national employment data (August 2003 preliminary figures not yet available).

For information, contact:

George R. Monahan
Vice President and Director, Industry Studies
GMonahan@sia.com

Bella Mardakhaev
Research Assistant
BMardakhaev@sia.com

SECURITITIES INDUSTRY EMPLOYMENT
(in thousands; SIC Codes US and NY thru 1991, NAICS 92 on)

Year End	U.S.	Change From Prior Year (U.S.)	N.Y. State	Change From Prior Year (N.Y. State)	N.Y. State as % of U.S.	N.Y. City	Change From Prior Year (N.Y. City)	N.Y. City as % of N.Y. State	N.Y. City as % of U.S.
1973	182.1	-9.6%	77.4	-15.1%	42.5%	74.5	-15.0%	96.3%	40.9%
1974	167.1	-8.2%	69.0	-10.9%	41.3%	66.1	-11.3%	95.8%	39.6%
1975	171.3	2.5%	69.4	0.6%	40.5%	67.0	1.4%	96.5%	39.1%
1976	177.4	3.6%	72.8	4.9%	41.0%	70.1	4.6%	96.3%	39.5%
1977	183.4	3.4%	73.3	0.7%	40.0%	70.2	0.1%	95.8%	38.3%
1978	194.3	5.9%	77.0	5.0%	39.6%	73.7	5.0%	95.7%	37.9%
1979	214.2	10.2%	82.1	6.6%	38.3%	78.4	6.4%	95.5%	36.6%
1980	243.7	13.8%	94.8	15.5%	38.9%	90.0	14.8%	94.9%	36.9%
1981	267.0	9.6%	105.0	10.8%	39.3%	99.6	10.7%	94.9%	37.3%
1982	283.8	6.3%	108.9	3.7%	38.4%	102.7	3.1%	94.3%	36.2%
1983	328.3	15.7%	125.0	14.8%	38.1%	117.5	14.4%	94.0%	35.8%
1984	341.1	3.9%	129.2	3.4%	37.9%	121.7	3.6%	94.2%	35.7%
1985	367.5	7.7%	137.6	6.5%	37.4%	130.0	6.8%	94.5%	35.4%
1986	417.1	13.5%	157.1	14.2%	37.7%	148.8	14.5%	94.7%	35.7%
1987	456.3	9.4%	172.7	9.9%	37.8%	163.0	9.5%	94.4%	35.7%
1988	438.7	-3.9%	160.3	-7.2%	36.5%	150.4	-7.7%	93.8%	34.3%
1989	426.9	-2.7%	154.1	-3.9%	36.1%	144.0	-4.3%	93.4%	33.7%
1990	417.4	-2.2%	143.5	-6.9%	34.4%	133.9	-7.0%	93.3%	32.1%
1991	424.1	1.6%	139.5	-2.8%	32.9%	129.6	-3.2%	92.9%	30.6%
1992	485.9	14.6%	158.0	13.3%	32.5%	146.5	13.0%	92.7%	30.2%
1993	531.5	9.4%	170.0	7.6%	32.0%	157.4	7.4%	92.6%	29.6%
1994	560.2	5.4%	178.0	4.7%	31.8%	165.0	4.8%	92.7%	29.5%
1995	568.8	1.5%	177.4	-0.3%	31.2%	163.0	-1.2%	91.9%	28.7%
1996	608.3	6.9%	179.3	1.1%	29.5%	164.9	1.2%	92.0%	27.1%
1997	659.9	8.5%	190.2	6.1%	28.8%	176.3	6.9%	92.7%	26.7%
1998	711.0	7.7%	196.7	3.4%	27.7%	182.1	3.3%	92.6%	25.6%
1999	766.4	7.8%	205.8	4.6%	26.9%	190.5	4.6%	92.6%	24.9%
2000	836.9	9.2%	216.7	5.3%	25.9%	200.3	5.1%	92.4%	23.9%
2001	810.2	-3.2%	184.1	-15.0%	22.7%	167.4	-16.4%	90.9%	20.7%
2002	798.0	-1.5%	179.8	-2.3%	22.5%	164.9	-1.5%	91.7%	20.7%
Jan:02	803.4	-3.7%	190.3	-6.4%	23.7%	173.9	-6.7%	91.4%	21.6%
Feb:02	801.1	-4.3%	189.2	-7.1%	23.6%	172.9	-7.2%	91.4%	21.6%
Mar:02	798.7	-5.0%	187.5	-7.9%	23.5%	171.4	-8.2%	91.4%	21.5%
Apr:02	802.6	-4.1%	186.4	-8.0%	23.2%	170.0	-8.6%	91.2%	21.2%
May:02	801.4	-3.9%	186.4	-7.9%	23.3%	170.1	-8.4%	91.3%	21.2%
June:02	807.1	-3.8%	188.4	-8.6%	23.3%	172.3	-9.2%	91.5%	21.3%
July:02	804.8	-3.0%	188.5	-8.0%	23.4%	172.4	-9.0%	91.5%	21.4%
Aug:02	802.2	-4.2%	186.9	-9.2%	23.3%	170.8	-10.4%	91.4%	21.3%
Sep:02	798.1	-3.4%	182.6	-10.0%	22.9%	166.9	-12.1%	91.4%	20.9%
Oct:02	795.1	-2.9%	181.1	-4.2%	22.8%	166.0	-4.8%	91.7%	20.9%
Nov:02	796.8	-2.9%	181.4	-5.9%	22.8%	166.5	-6.5%	91.8%	20.9%
Dec:02	798.0	-1.5%	179.8	-5.6%	22.5%	164.9	-6.0%	91.7%	20.7%
Jan:03	798.9	-0.6%	178.2	-6.4%	22.3%	162.9	-6.3%	91.4%	20.4%
Feb:03	799.2	-0.2%	178.2	-5.8%	22.3%	162.9	-5.8%	91.4%	20.4%
Mar:03	797.4	-0.2%	177.3	-5.4%	22.2%	162.3	-5.3%	91.5%	20.4%
Apr:03	795.9	-0.8%	176.9	-5.1%	22.2%	162.1	-4.6%	91.6%	20.4%
May:03	793.7	-1.0%	176.2	-5.5%	22.2%	161.6	-5.0%	91.7%	20.4%
June:03	800.4	-0.8%	178.6	-5.2%	22.3%	164.0	-4.8%	91.8%	20.5%
July:03*	802.6	-0.3%	178.6	-5.3%	22.3%	164.2	-4.8%	91.9%	20.5%
Aug:03*	800.6	-0.2%	179.0	-4.2%	22.4%	164.4	-3.7%	91.8%	20.5%

*Preliminary
Sources: U.S. Department of Labor, Bureau of Labor Statistics; New York State Department of Labor

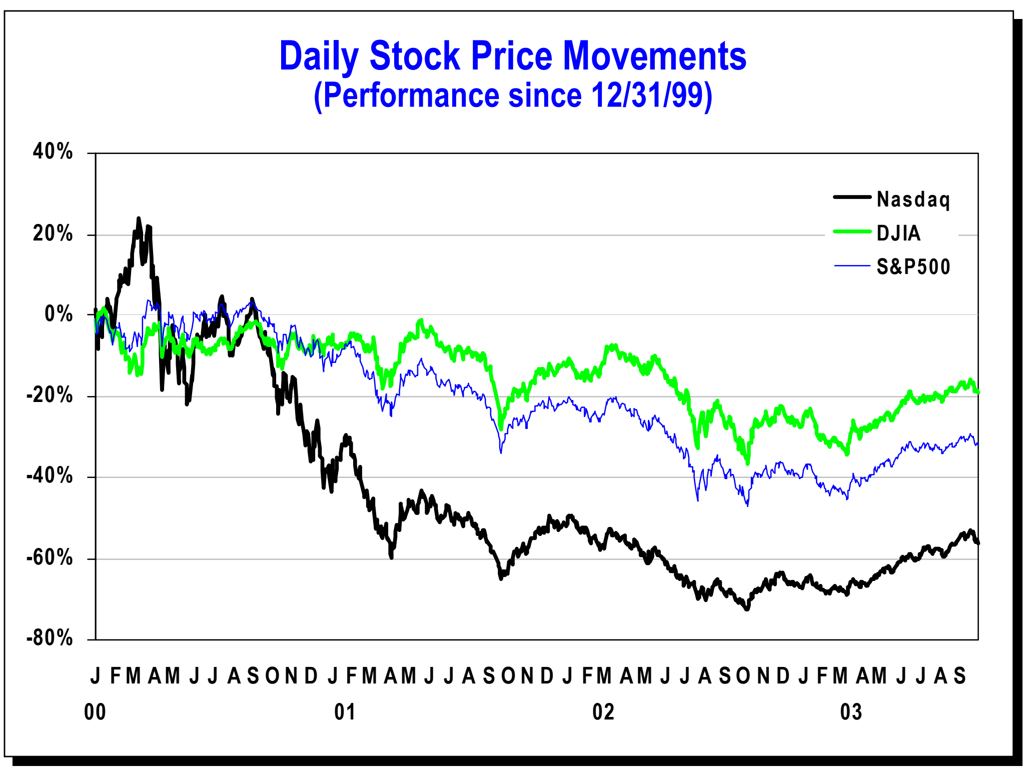
NOTE: The U.S. Bureau of Labor Statistics (BLS) employment figures shown here are from the old SIC system through 1991 and the new NAICS series thereafter. The data are partially obtained from enrollment data for unemployment benefits and thus BLS figures will lag securities industry announced layoffs until completed, layoff packages expire, and unemployment benefits are applied for. Also, industry announced layoffs often are company intentions for global layoffs while BLS data reflect only U.S. employment. Further, individuals laid off at one firm often join another firm for no net change in employment in those cases. Employment data can be obtained on the BLS web site at: http://data.bls.gov/labjava/outside.jsp?survey=ee

U.S. Equity Market Activity

Stock Prices – After marching steadily upward from their March 11th lows to their highest levels in over a year by September 18, the benchmark indicators reversed course and slumped during the last eight trading days of September. Profit taking, as well as an OPEC-induced rise in oil prices and a decline in the greenback after the Group of Seven finance ministers endorsed more flexible exchange rates, were just some of the factors that helped drive stock prices lower. For the month of September overall, the Dow Jones Industrials and S&P 500 slipped 1.5% and 1.2%, respectively, their first monthly declines since February. The Nasdaq Composite shed 1.3% following seven straight months of gains.

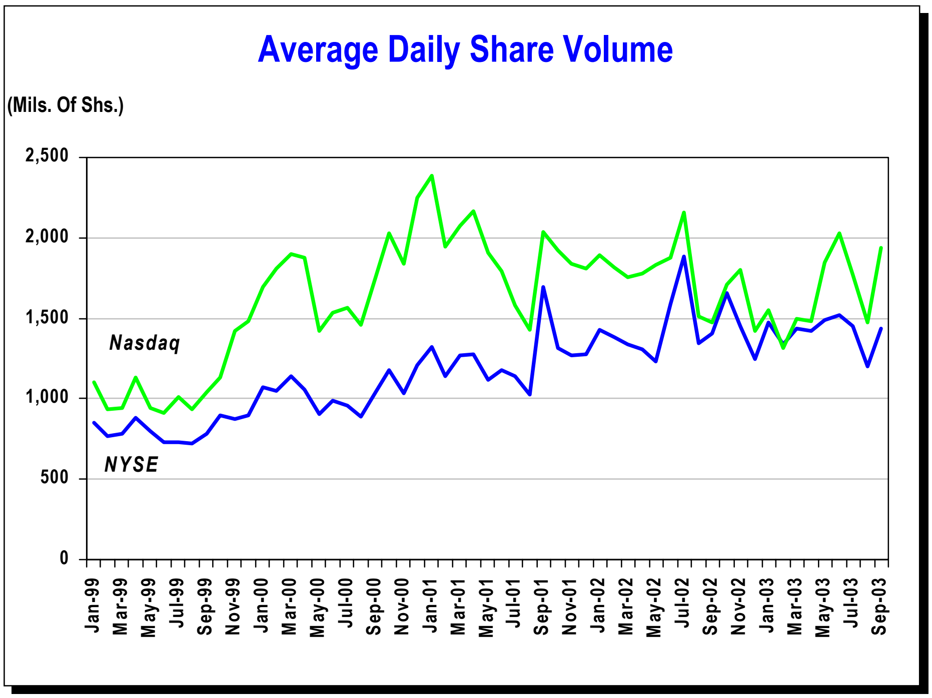
Despite retreating in September, the key market indices posted gains in the third quarter of 2003. The DJIA increased 3.2% during the quarter following a 12.4% gain in the second quarter of 2003. The S&P 500 rose 2.2% in 3Q'03 after gaining 14.9% in 2Q'03, and the technology-laden Nasdaq Composite Index climbed 10.1% in the third quarter following a 21.0% jump in the second quarter. This marked the first time since the first and second quarters of 1999 that all three major market gauges managed to string together back-to-back quarterly gains.

Through the first nine months of 2003, the major indices have registered double-digit gains, with the Dow rising 11.2%, the S&P 500 advancing 13.2%, and the Nasdaq Composite soaring 33.8%. Barring any major downward correction, further evidence of improvement in corporate profits and economic growth over the next few months could lead to the stock market's first annual increase since 1999.



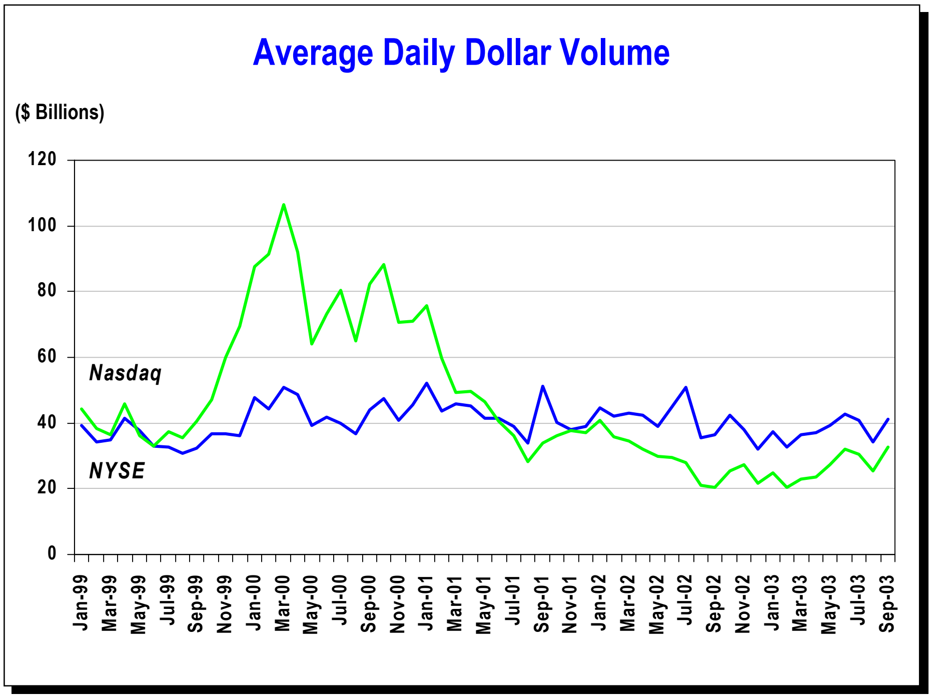
Share Volume – Following the usual seasonal slowdown in August, trading volume on the major U.S. exchanges surged in September. Nasdaq volume soared 32.1% from the prior month to 1.94 billion shares daily, the second most active month so far this year behind June's 2.03 billion daily share average. Despite September's increased activity, year-to-date volume of 1.66 billion shares per day still trails 2002's 1.75 billion daily average by 5.3%.

Average daily share volume on the NYSE, which also peaked in June at 1.52 billion shares daily, sank to a two-year monthly low of 1.20 billion in August before rebounding 19.7% in September to 1.44 billion shares per day. Through the first nine months of 2003, NYSE volume averaged 1.42 billion shares daily, just 1.5% short of the 1.44 billion daily record pace set in 2002.

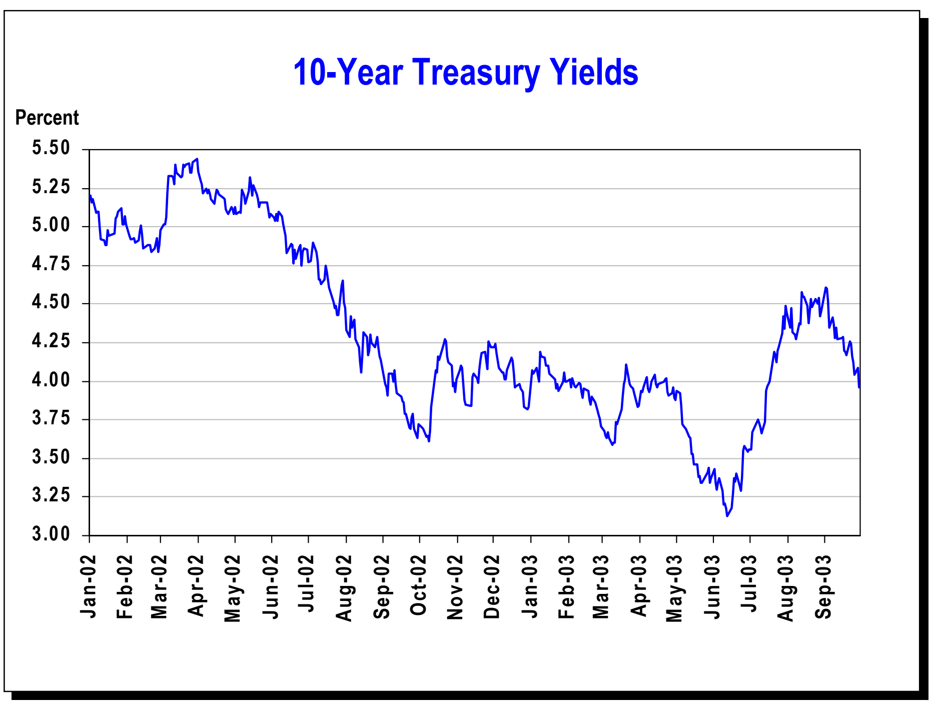


Dollar Volume – Increased trading activity led to higher dollar volumes on both the NYSE and Nasdaq in September. The value of trading in NYSE stocks, after reaching a 2003 monthly high of $42.7 billion daily in June, slowed down during the summer months to $34.1 billion daily by August before rebounding 20.5% to $41.1 billion per day in September. Through the first nine months of 2003, NYSE dollar volume averaged $38.0 billion, 7.1% below 2002's $40.9 billion daily pace and 13.4% below the $43.9 billion daily record set in 2000.

The trend in Nasdaq dollar volume throughout the year has mirrored that on the NYSE. The value of trading in Nasdaq stocks steadily increased from March-June then slipped in July and August to $25.3 billion daily. September witnessed a 30.4% surge in Nasdaq dollar volume to $33.0 billion daily, the best monthly showing so far this year. Nasdaq dollar volume year-to-date, at $26.7 billion daily, stands 7.3% below 2002's $28.8 billion daily average and is two-thirds lower than the 2002 record of $80.9 billion daily.

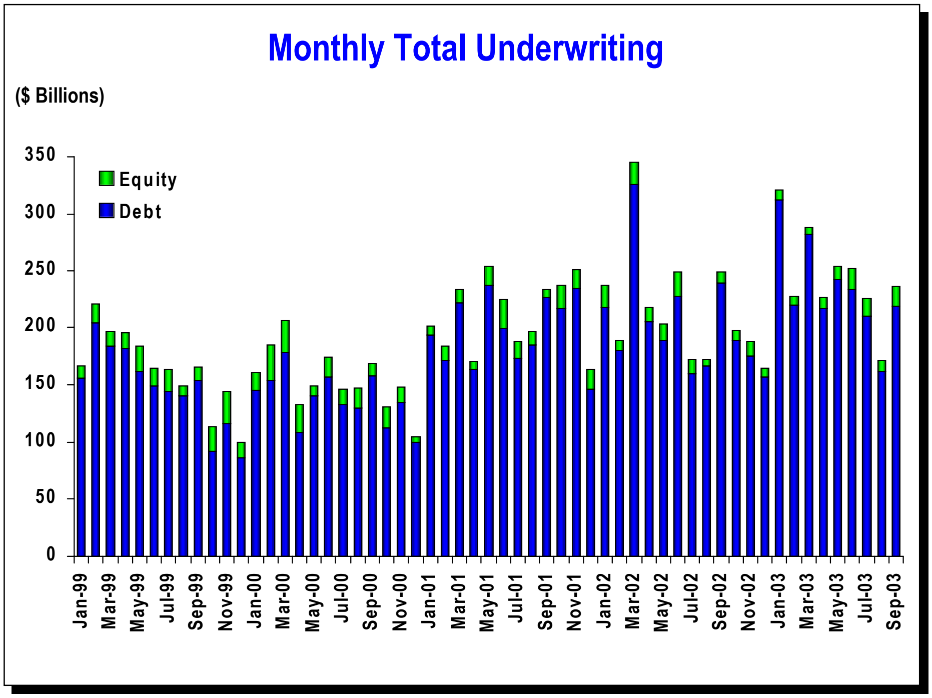


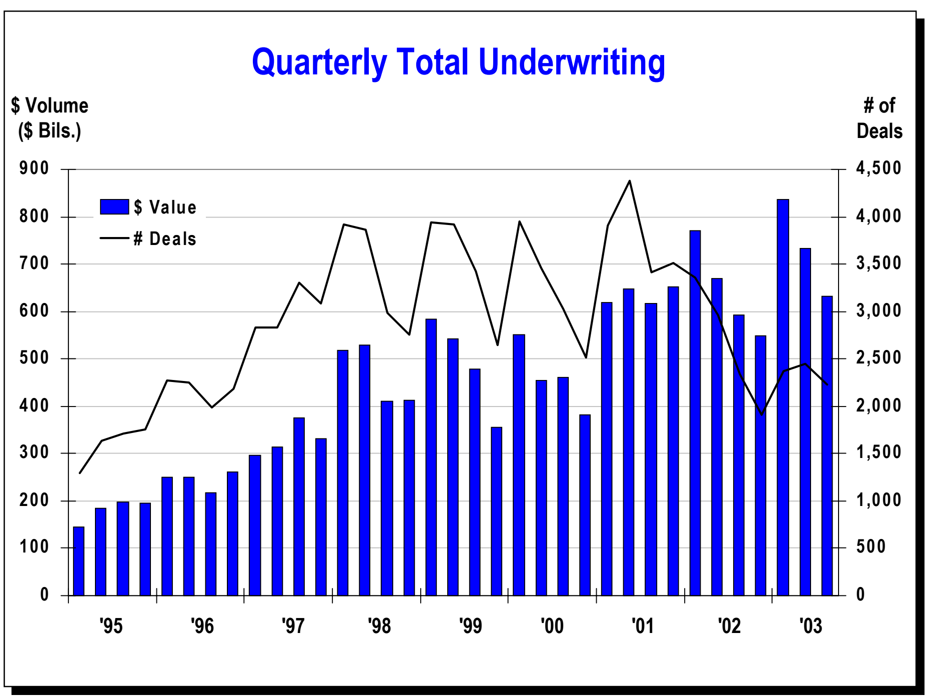
Interest Rates – The Treasury market rallied in September following a massive sell-off in July and August that drove long-term interest rates sharply higher. After bottoming at a 45-year low of 3.13% on June 13th, the yield on the 10-year Treasury bond surged to a 14-month high of 4.61% by September 2, as a revival in economic activity, a surge in the projected federal budget deficit, and hedging strategies employed by mortgage investors pressured the bond market and helped send interest rates soaring. That rate increase of nearly 1.5 percentage points was the sharpest increase over a 2-½ month time frame since 1994. Yields on 10-year Treasuries subsequently fell during the month and ended September at 3.96%, as the FOMC reiterated its intention to hold interest rates low.



U.S. Underwriting Activity

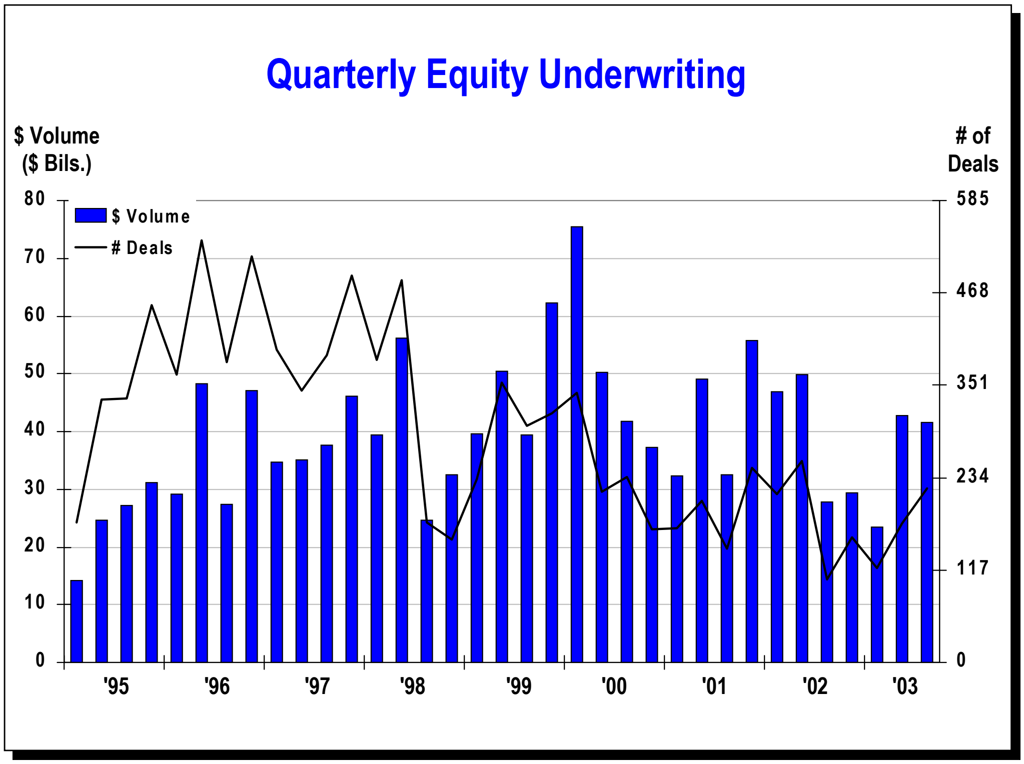
Total Underwriting – New securities issuance in the third quarter of 2003 was below the levels reached in the first and second quarters of 2003, yet exceeded year-earlier results. After sinking to a 2003 low of $171.0 billion in August due to seasonal factors and the steep rise in interest rates, issuance rebounded 37.8% in September to $235.7 billion. That brought the third quarter total to $631.6 billion, down 13.9% from $733.7 billion in the prior quarter, yet 6.6% above 3Q'02 levels. Despite the quarterly decline, total underwriting activity through the first nine months of the year increased 8.4% to $2.20 trillion from $2.03 trillion in last year's comparable period.





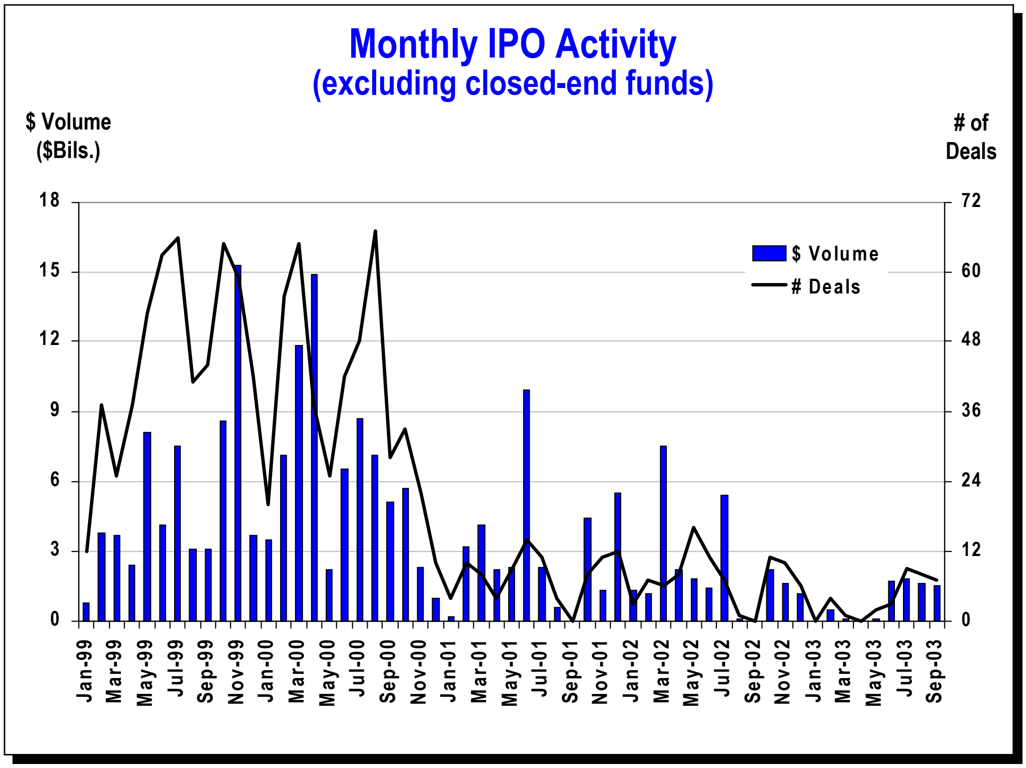
Equity Underwriting – Dollar proceeds from equity offerings slipped 2.6% to $41.6 billion in the third quarter from 2Q'03's relatively strong levels, as a sharp cutback in preferred stock offerings drove down the total. On a brighter note, deal volume picked up considerably in 3Q'03. A total of 221 equity deals were completed during the third quarter, one-fourth higher than 2Q'03 levels and more than twice the 105 deals offered in the same period last year.

Year-to-date through September, 517 deals were completed and raised $107.8 billion. That represents a 13.4% decrease in proceeds and a 9.8% decline in the number of transactions when compared with activity in last year's similar period.



Initial Public Offerings – IPO deal and dollar volume in the third quarter topped the dismal totals for the entire first half of the year. IPOs raised $4.9 billion in 3Q'03 as compared to $1.8 billion in 2Q'03 and a mere $644 million in 1Q'03. A total of 24 deals were completed in 3Q versus just five in each of the prior two quarters.

Through the first nine months of 2003, $7.3 billion was raised in this market, 64.8% below the $20.8 billion raised in the same period a year ago and its weakest level since 1990. The outlook for this market has improved, however, as the pace of filings has quickened in recent months and 54 deals are currently in the pipeline totaling $6.1 billion.


Monthly IPO Activity
(excluding closed-end funds)
$ Volume
($Bils.)
of
Deals
18
15
12
9
6
3
0
72
60
48
36
24
12
0
$ Volume
# Deals
Jan-99
Mar-99
May-99
Jul-99
Sep-99
Nov-99
Jan-00
Mar-00
May-00
Jul-00
Sep-00
Nov-00
Jan-01
Mar-01
May-01
Jul-01
Sep-01
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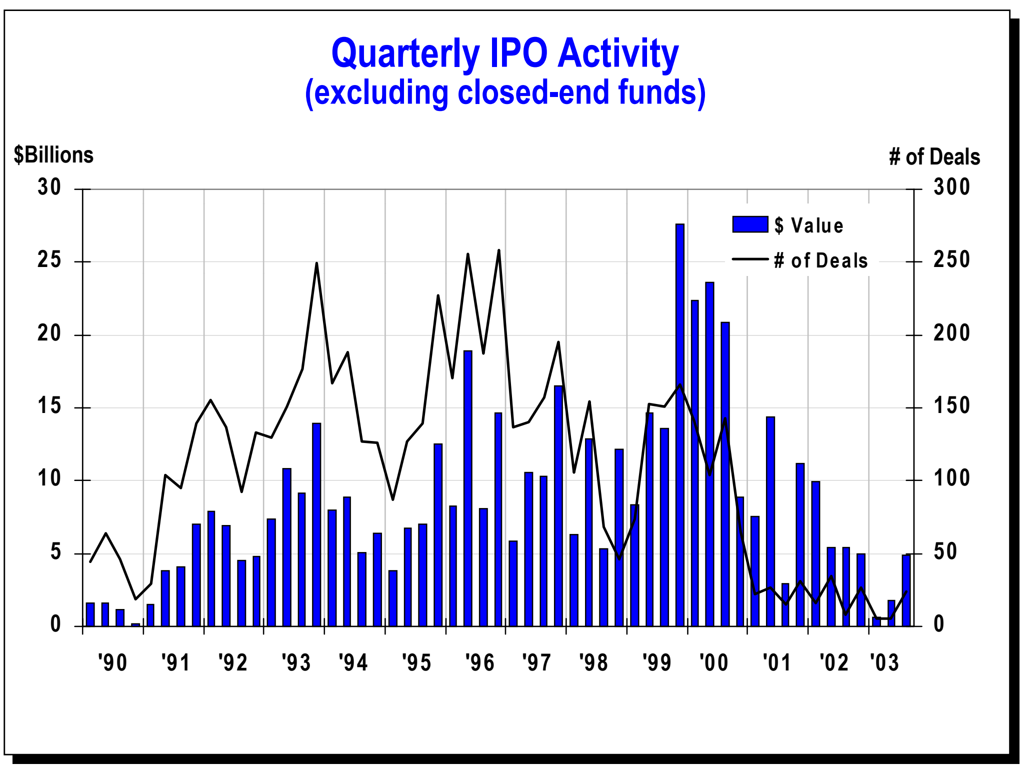
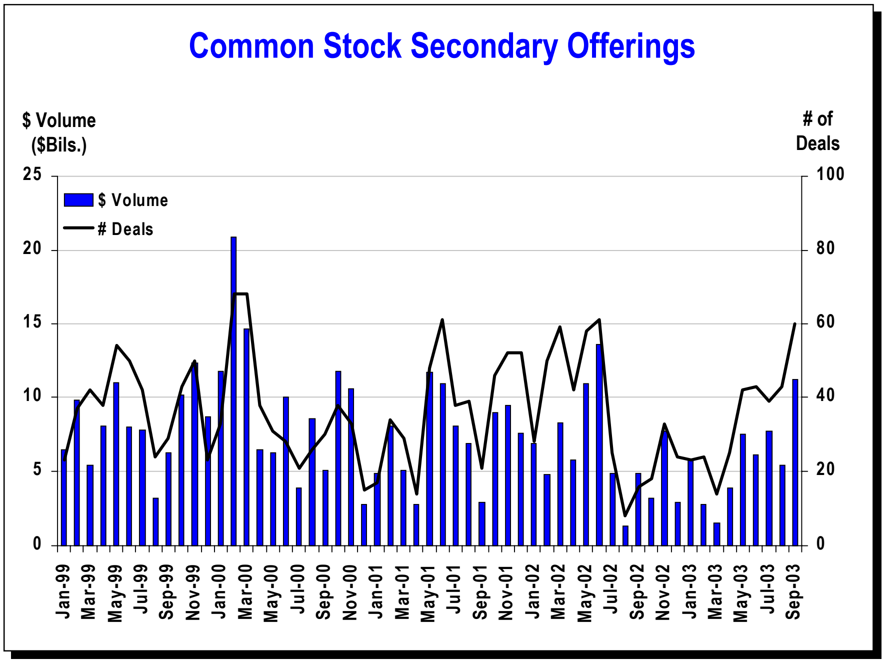
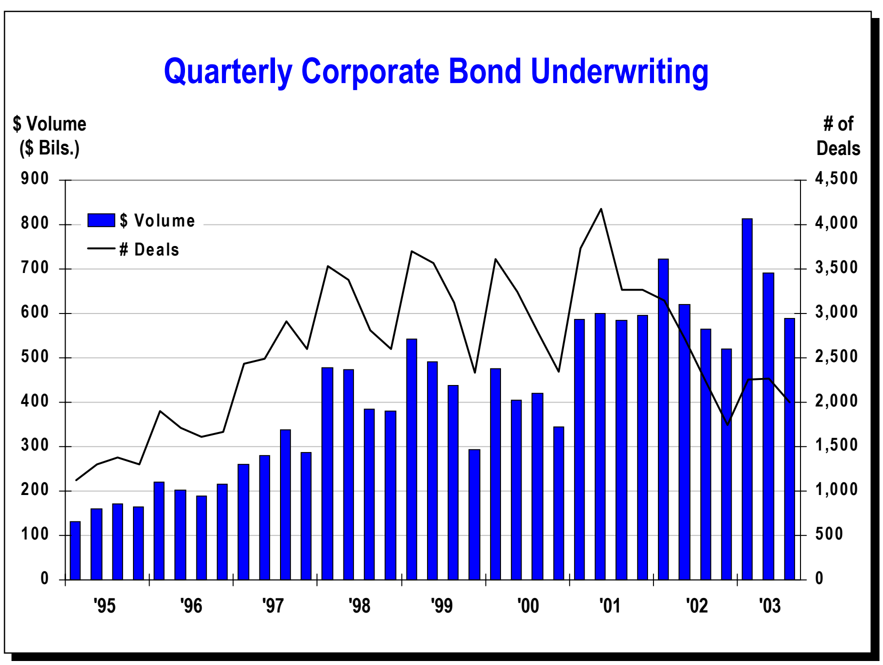
May-03
Jul-03
Sep-03


Quarterly IPO Activity
(excluding closed-end funds)
$Billions
# of Deals
30
25
20
15
10
5
0
300
250
200
150
100
50
0
$ Value
# of Deals
'90
'91
'92
'93
'94
'95
'96
'97
'98
'99
'00
'01
'02
'03

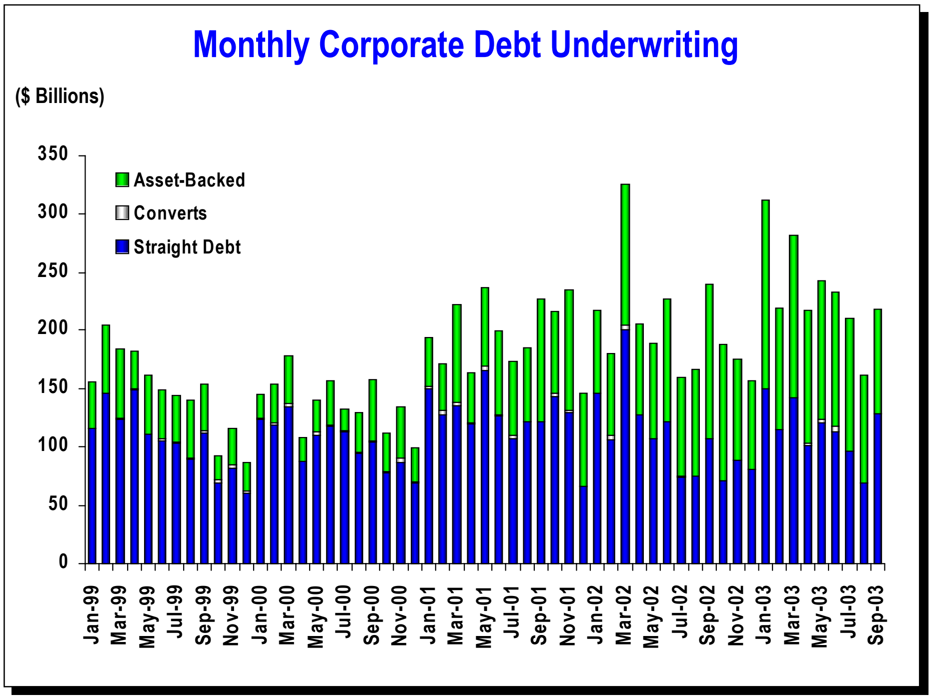
Secondary offerings of common stock shot up to $11.2 billion in September, more than double August's total of $5.4 billion and its highest monthly level since June of last year. That lifted the 3Q'03 total to $24.3 billion, up 39.1% from the previous quarter's level and more than twice the year-ago levels. Even so, secondary common stock issuance year-to-date, at $51.9 billion, is down 15.4% from $61.4 billion in 2002's comparable period.



Corporate Bond Underwriting – Total corporate debt issuance rebounded 34.9% in September to $218.1 billion after a two-month bond market rout drove issuance down to a 2003 low of $161.7 billion in August. Despite the upswing in September, volume in 3Q'03 tumbled 14.6% from 2Q'02 levels to about $590.0 billion, yet remained 4.4% above year earlier levels. Driven by record volume in 1Q'03, corporate bond issuance totaled nearly $2.1 trillion in the first nine months of 2003, a 9.8% increase over the $1.9 trillion raised in the same period a year ago.



New issuance of straight corporate debt skyrocketed 86.1% from August's depressed level to $128.8 billion in September, its strongest level in six months. That brought the year-to-date total to roughly $1.04 trillion, just 2.7% shy of the $1.06 trillion issued during the same period last year.



Asset-backed bond issuance in September slipped 3.5% to $89.3 billion – its lowest level of the year -- from $92.5 billion in August. Activity was strongest during the first quarter of the year as refinancing activity zoomed to record levels. It then tapered off to roughly $115.0 billion throughout April-July before falling below the $100 billion mark in August and September. Year to date, asset-backed offerings have raised $1.05 trillion, up 25.6% from year-earlier levels and is on track to break 2002's yearly total of $1.12 trillion.

Grace Toto
Vice President and Director, Statistics

U.S. CORPORATE UNDERWRITING ACTIVITY

(In $ Billions)

	Straight Corporate Debt	Con-vertible Debt	Asset-Backed Debt	TOTAL **DEBT**	Common Stock	Preferred Stock	TOTAL **EQUITY**	All IPOs	"True" IPOs	Secondaries	**TOTAL** UNDER-**WRITINGS**
1985	76.4	7.5	20.8	104.7	24.7	8.6	33.3	8.5	8.4	16.2	138.0
1986	149.8	10.1	67.8	227.7	43.2	13.9	57.1	22.3	18.1	20.9	284.8
1987	117.8	9.9	91.7	219.4	41.5	11.4	52.9	24.0	14.3	17.5	272.3
1988	120.3	3.1	113.8	237.2	29.7	7.6	37.3	23.6	5.7	6.1	274.5
1989	134.1	5.5	135.3	274.9	22.9	7.7	30.6	13.7	6.1	9.2	305.5
1990	107.7	4.7	176.1	288.4	19.2	4.7	23.9	10.1	4.5	9.0	312.3
1991	203.6	7.8	300.0	511.5	56.0	19.9	75.9	25.1	16.4	30.9	587.4
1992	319.8	7.1	427.0	753.8	72.5	29.3	101.8	39.6	24.1	32.9	855.7
1993	448.4	9.3	474.8	932.5	102.4	28.4	130.8	57.4	41.3	45.0	1,063.4
1994	381.2	4.8	253.5	639.5	61.4	15.5	76.9	33.7	28.3	27.7	716.4
1995	466.0	6.9	152.4	625.3	82.0	15.1	97.1	30.2	30.0	51.8	722.4
1996	564.8	9.3	252.9	827.0	115.5	36.5	151.9	50.0	49.9	65.5	979.0
1997	769.8	8.5	385.6	1,163.9	120.2	33.3	153.4	44.2	43.2	75.9	1,317.3
1998	1,142.5	6.3	566.8	1,715.6	115.0	37.8	152.7	43.7	36.6	71.2	1,868.3
1999	1,264.8	16.1	487.1	1,768.0	164.3	27.5	191.7	66.8	64.3	97.5	1,959.8
2000	1,236.2	17.0	393.4	1,646.6	189.1	15.4	204.5	76.1	75.8	112.9	1,851.0
2001	1,511.2	21.6	832.5	2,365.4	128.4	41.3	169.7	40.8	36.0	87.6	2,535.1
2002	1,303.2	8.6	1,115.4	2,427.2	116.4	37.6	154.0	41.2	25.8	75.2	2,581.1
<u>2002</u>											
Jan	145.7	0.2	71.2	217.1	8.6	10.8	19.4	1.8	1.3	6.9	236.5
Feb	106.2	3.8	70.2	180.1	6.7	1.2	8.0	1.9	1.2	4.8	188.0
Mar	200.5	3.2	121.7	325.4	16.9	2.7	19.6	8.5	7.5	8.3	344.9
Apr	127.3	0.0	77.5	204.9	8.7	4.4	13.1	2.9	2.2	5.8	218.0
May	106.7	0.1	81.4	188.2	13.3	1.6	14.9	2.4	1.8	10.9	203.1
June	121.3	0.4	105.2	226.9	17.7	4.1	21.8	4.1	1.4	13.6	248.7
July	74.1	0.4	84.9	159.4	11.0	1.8	12.8	6.1	5.4	4.9	172.2
Aug	74.7	0.0	91.7	166.4	3.8	2.0	5.7	2.5	0.1	1.3	172.2
Sept	106.8	0.0	132.3	239.1	7.3	2.0	9.3	2.4	0.0	4.9	248.4
Oct	70.5	0.1	117.4	188.1	7.0	2.6	9.5	3.8	2.2	3.2	197.6
Nov	88.5	0.4	86.4	175.3	10.2	2.1	12.3	2.6	1.6	7.7	187.6
Dec	80.8	0.0	75.6	156.4	5.2	2.4	7.6	2.3	1.2	2.9	164.0
<u>2003</u>											
Jan	150.0	0.0	162.5	312.4	6.8	1.8	8.6	1.0	0.0	5.8	321.0
Feb	114.6	0.0	104.5	219.1	4.7	3.6	8.3	1.9	0.5	2.8	227.5
Mar	141.8	0.1	140.2	282.1	4.8	1.8	6.5	3.3	0.1	1.5	288.7
Apr	101.5	1.3	113.6	216.5	6.4	3.8	10.2	2.5	0.0	3.9	226.6
May	120.1	3.0	118.7	241.8	8.9	4.1	12.9	1.4	0.1	7.5	254.7
June	112.7	5.1	115.0	232.7	12.8	6.7	19.6	6.7	1.7	6.1	252.3
July	96.2	0.4	113.6	210.2	11.6	3.1	14.7	3.9	1.8	7.7	224.9
Aug	69.2	0.0	92.5	161.7	8.4	0.8	9.2	3.0	1.6	5.4	171.0
Sept	128.8	0.0	89.3	218.1	14.7	3.0	17.7	3.5	1.5	11.2	235.7
Oct											
Nov											
Dec											
YTD '02	1,063.3	8.1	836.0	1,907.4	94.0	30.5	124.5	32.6	20.8	61.4	2,031.9
YTD '03	1,035.0	9.9	1,049.8	2,094.7	79.1	28.7	107.8	27.1	7.3	51.9	2,202.5
% Change	-2.7%	22.8%	25.6%	9.8%	-15.9%	-6.0%	-13.4%	-16.8%	-64.8%	-15.4%	8.4%

Note: IPOs and secondaries are subsets of common stock. “True” IPOs exclude closed-end funds.
Source: Thomson Financial

MUNICIPAL BOND UNDERWRITINGS
(In $ Billions)

INTEREST RATES
(Averages)

	Compet. Rev. Bonds	Nego. Rev. Bonds	**TOTAL REVENUE BONDS**	Compet. G.O.s	Nego. G.O.s	**TOTAL G.O.s**	**TOTAL MUNICIPAL BONDS**	3-Mo. T Bills	10-Year Treasuries	SPREAD
1985	10.2	150.8	161.0	17.6	22.8	40.4	201.4	7.47	10.62	3.15
1986	10.0	92.6	102.6	23.1	22.6	45.7	148.3	5.97	7.68	1.71
1987	7.1	64.4	71.5	16.3	14.2	30.5	102.0	5.78	8.39	2.61
1988	7.6	78.1	85.7	19.2	12.7	31.9	117.6	6.67	8.85	2.18
1989	9.2	75.8	85.0	20.7	17.2	37.9	122.9	8.11	8.49	0.38
1990	7.6	78.4	86.0	22.7	17.5	40.2	126.2	7.50	8.55	1.05
1991	11.0	102.1	113.1	29.8	28.1	57.9	171.0	5.38	7.86	2.48
1992	12.5	139.0	151.6	32.5	49.0	81.5	233.1	3.43	7.01	3.58
1993	20.0	175.6	195.6	35.6	56.7	92.4	287.9	3.00	5.87	2.87
1994	15.0	89.2	104.2	34.5	23.2	57.7	161.9	4.25	7.09	2.84
1995	13.5	81.7	95.2	27.6	32.2	59.8	155.0	5.49	6.57	1.08
1996	15.6	100.1	115.7	31.3	33.2	64.5	180.2	5.01	6.44	1.43
1997	12.3	130.2	142.6	35.5	36.5	72.0	214.6	5.06	6.35	1.29
1998	21.4	165.6	187.0	43.7	49.0	92.8	279.8	4.78	5.26	0.48
1999	14.3	134.9	149.2	38.5	31.3	69.8	219.0	4.64	5.65	1.01
2000	13.6	116.2	129.7	35.0	29.3	64.3	194.0	5.82	6.03	0.21
2001	17.6	164.2	181.8	45.5	56.3	101.8	283.5	3.39	5.02	1.63
2002	19.5	210.5	230.0	52.3	73.1	125.4	355.4	1.60	4.61	3.01
<u>2002</u>										
Jan	1.1	12.3	13.4	4.3	3.8	8.1	21.5	1.65	5.04	3.39
Feb	1.5	10.6	12.1	4.9	4.0	8.9	20.9	1.73	4.91	3.18
Mar	1.7	13.0	14.7	4.9	5.6	10.5	25.2	1.79	5.28	3.49
Apr	2.3	14.7	17.0	4.4	4.1	8.5	25.5	1.72	5.21	3.49
May	2.4	20.7	23.1	4.0	6.9	10.9	34.0	1.73	5.16	3.43
June	1.5	20.3	21.8	5.2	11.6	16.8	38.6	1.70	4.93	3.23
July	1.1	15.7	16.8	4.8	6.2	11.0	27.8	1.68	4.65	2.97
Aug	0.6	20.4	21.0	3.8	6.6	10.4	31.5	1.62	4.26	2.64
Sept	1.1	16.8	17.8	4.1	5.6	9.7	27.5	1.63	3.87	2.24
Oct	2.9	24.0	26.9	5.9	8.9	14.8	41.7	1.58	3.94	2.36
Nov	1.4	25.3	26.7	3.0	5.6	8.5	35.2	1.23	4.05	2.82
Dec	2.0	16.6	18.6	2.9	4.4	7.3	26.0	1.19	4.03	2.84
<u>2003</u>										
Jan	1.4	16.8	18.2	4.4	4.3	8.7	27.0	1.17	4.05	2.88
Feb	1.8	15.6	17.4	5.1	7.6	12.7	30.1	1.17	3.90	2.73
Mar	2.0	16.2	18.2	4.2	5.5	9.7	28.0	1.13	3.81	2.68
Apr	1.7	18.3	20.0	4.6	10.2	14.8	34.8	1.13	3.96	2.83
May	2.9	20.0	23.0	5.5	6.3	11.8	34.8	1.07	3.57	2.50
June	2.0	21.0	23.1	6.7	17.1	23.8	46.9	0.92	3.33	2.41
July	2.1	19.8	22.0	6.5	6.0	12.5	34.5	0.90	3.98	3.08
Aug	1.1	17.2	18.3	3.7	3.4	7.1	25.4	0.95	4.45	3.50
Sept	1.4	16.2	17.6	3.6	2.7	6.3	23.8	0.94	4.27	3.33
Oct										
Nov										
Dec										
YTD '02	13.2	144.6	157.8	40.5	54.2	94.7	252.4	1.69	4.81	3.12
YTD '03	16.5	161.2	177.7	44.4	63.2	107.6	285.3	1.04	3.92	2.88
% Change	24.7%	11.5%	12.7%	9.8%	16.6%	13.6%	13.0%	-38.5%	-18.4%	-7.6%

Sources: Thomson Financial; Federal Reserve

	STOCK MARKET PERFORMANCE INDICES (End of Period)				STOCK MARKET VOLUME (Daily Avg., Mils. of Shs.)			VALUE TRADED (Daily Avg., $ Bils.)	
	Dow Jones Industrial Average	S&P 500	NYSE Composite	Nasdaq Composite	NYSE	AMEX	Nasdaq	NYSE	Nasdaq
1985	1,546.67	211.28	1,285.66	324.93	109.2	8.3	82.1	3.9	0.9
1986	1,895.95	242.17	1,465.31	348.83	141.0	11.8	113.6	5.4	1.5
1987	1,938.83	247.08	1,461.61	330.47	188.9	13.9	149.8	7.4	2.0
1988	2,168.57	277.72	1,652.25	381.38	161.5	9.9	122.8	5.4	1.4
1989	2,753.20	353.40	2,062.30	454.82	165.5	12.4	133.1	6.1	1.7
1990	2,633.66	330.22	1,908.45	373.84	156.8	13.2	131.9	5.2	1.8
1991	3,168.83	417.09	2,426.04	586.34	178.9	13.3	163.3	6.0	2.7
1992	3,301.11	435.71	2,539.92	676.95	202.3	14.2	190.8	6.9	3.5
1993	3,754.09	466.45	2,739.44	776.80	264.5	18.1	263.0	9.0	5.3
1994	3,834.44	459.27	2,653.37	751.96	291.4	17.9	295.1	9.7	5.8
1995	5,117.12	615.93	3,484.15	1,052.13	346.1	20.1	401.4	12.2	9.5
1996	6,448.27	740.74	4,148.07	1,291.03	412.0	22.1	543.7	16.0	13.0
1997	7,908.25	970.43	5,405.19	1,570.35	526.9	24.4	647.8	22.8	17.7
1998	9,181.43	1,229.23	6,299.93	2,192.69	673.6	28.9	801.7	29.0	22.9
1999	11,497.12	1,469.25	6,876.10	4,069.31	808.9	32.7	1,081.8	35.5	43.7
2000	10,786.85	1,320.28	6,945.57	2,470.52	1,041.6	52.9	1,757.0	43.9	80.9
2001	10,021.50	1,148.08	6,236.39	1,950.40	1,240.0	65.8	1,900.1	42.3	44.1
2002	8,341.63	879.82	5,000.00	1,335.51	1,441.0	63.7	1,752.8	40.9	28.8
2002									
Jan	9,920.00	1,130.20	6,116.90	1,934.03	1,425.9	56.1	1,888.7	44.5	40.8
Feb	10,106.13	1,106.73	6,117.96	1,731.49	1,381.8	56.3	1,812.8	42.1	35.9
Mar	10,403.94	1,147.39	6,348.79	1,845.35	1,337.1	57.1	1,756.8	42.9	34.5
Apr	9,946.22	1,076.92	6,071.22	1,688.23	1,307.3	55.4	1,779.0	42.4	32.1
May	9,925.25	1,067.14	6,035.27	1,615.73	1,234.2	61.5	1,834.2	38.9	29.8
June	9,243.26	989.82	5636.54	1,463.21	1,587.0	66.9	1,877.1	44.8	29.4
July	8,736.59	911.62	5,195.61	1,328.26	1,886.3	79.0	2,158.2	50.9	28.1
Aug	8,663.50	916.07	5,239.81	1,314.85	1,341.4	58.4	1,509.0	35.5	21.2
Sept	7,591.93	815.28	4,709.96	1,172.06	1,409.0	90.3	1,477.3	36.3	20.5
Oct	8,397.03	885.77	5,000.32	1,329.75	1,654.8	68.3	1,709.3	42.5	25.4
Nov	8,896.09	936.31	5,236.85	1,478.78	1,454.4	57.7	1,799.5	37.9	27.3
Dec	8,341.63	879.82	5,000.00	1,335.51	1,247.9	57.6	1,423.6	32.1	21.6
2003									
Jan	8,053.81	855.70	4,868.68	1,320.91	1,474.7	62.9	1,547.6	37.5	24.7
Feb	7,891.08	841.15	4,716.07	1,337.52	1,336.4	53.6	1,311.4	32.8	20.4
Mar	7,992.13	848.18	4,730.21	1,341.17	1,439.3	64.7	1,499.9	36.3	23.0
Apr	8,480.09	916.92	5,131.56	1,464.31	1,422.7	54.7	1,478.2	37.1	23.5
May	8,850.26	963.59	5,435.37	1,595.91	1,488.6	69.6	1,847.9	39.2	27.4
June	8,985.44	974.50	5,505.17	1,622.80	1,516.3	79.5	2,032.2	42.7	32.0
July	9,233.80	990.31	5,558.99	1,735.02	1,451.1	67.4	1,771.7	40.7	30.5
Aug	9,415.82	1,008.01	5,660.16	1,810.45	1,200.3	57.7	1,470.8	34.1	25.3
Sept	9,275.06	995.97	5,644.03	1,786.94	1,436.7	83.9	1,943.2	41.1	33.0
Oct									
Nov									
Dec									
YTD '02	7,591.93	815.28	4,709.96	1,172.06	1,435.0	64.5	1,789.9	42.0	30.2
YTD '03	9,275.06	995.97	5,644.03	1,786.94	1,419.5	66.1	1,660.2	38.0	26.7
% Change	22.2%	22.2%	19.8%	52.5%	-1.1%	2.5%	-7.2%	-9.6%	-11.4%

MUTUAL FUND ASSETS
($ Billions)

	Equity	Hybrid	Bond	Money Market	**TOTAL ASSETS**
1985	116.9	12.0	122.6	243.8	495.4
1986	161.4	18.8	243.3	292.2	715.7
1987	180.5	24.2	248.4	316.1	769.2
1988	194.7	21.1	255.7	338.0	809.4
1989	248.8	31.8	271.9	428.1	980.7
1990	239.5	36.1	291.3	498.3	1,065.2
1991	404.7	52.2	393.8	542.5	1,393.2
1992	514.1	78.0	504.2	546.2	1,642.5
1993	740.7	144.5	619.5	565.3	2,070.0
1994	852.8	164.5	527.1	611.0	2,155.4
1995	1,249.1	210.5	598.9	753.0	2,811.5
1996	1,726.1	252.9	645.4	901.8	3,526.3
1997	2,368.0	317.1	724.2	1,058.9	4,468.2
1998	2,978.2	364.7	830.6	1,351.7	5,525.2
1999	4,041.9	383.2	808.1	1,613.1	6,846.3
2000	3,962.0	346.3	811.1	1,845.2	6,964.7
2001	3,418.2	346.3	925.1	2,285.3	6,975.0
2002	2,667.0	327.4	1,124.9	2,272.0	6,391.3
2002					
Jan	3,372.1	347.2	946.9	2,303.4	6,969.6
Feb	3,310.5	348.3	962.5	2,301.0	6,922.3
Mar	3,495.7	359.2	958.3	2,247.9	7,061.1
Apr	3,367.8	354.5	980.6	2,231.4	6,934.4
May	3,341.5	356.4	994.1	2,230.7	6,922.7
June	3,088.7	341.4	1,003.7	2,197.4	6,631.2
July	2,770.1	320.7	1,032.9	2,254.6	6,378.4
Aug	2,781.1	324.9	1,063.7	2,217.5	6,387.3
Sept	2,505.3	305.4	1,089.0	2,164.6	6,064.2
Oct	2,659.5	316.7	1,083.6	2,177.5	6,237.2
Nov	2,818.4	332.3	1,098.7	2,309.3	6,558.6
Dec	2,667.0	327.4	1,124.9	2,272.0	6,391.3
2003					
Jan	2,597.7	324.7	1,138.2	2,273.6	6,334.2
Feb	2,537.8	322.9	1,171.1	2,236.2	6,268.0
Mar	2,551.3	325.3	1,183.3	2,204.7	6,264.6
Apr	2,770.3	346.8	1,210.5	2,157.7	6,485.3
May	2,958.5	365.8	1,238.7	2,140.6	6,703.6
June	3,031.1	373.6	1,248.4	2,164.4	6,817.5
July	3,126.0	376.4	1,212.1	2,152.5	6,867.0
Aug	3,237.0	382.2	1,209.0	2,141.0	6,969.2
Sept					
Oct					
Nov					
Dec					
YTD '02	2,781.1	324.9	1,063.7	2,217.5	6,387.3
YTD '03	3,237.0	382.2	1,209.0	2,141.0	6,969.2
% Change	16.4%	17.6%	13.7%	-3.5%	9.1%

MUTUAL FUND NET NEW CASH FLOW*
($ Billions)

	Equity	Hybrid	Bond	Money Market	**TOTAL**	Total Long-Term Funds
1985	8.5	1.9	63.2	-5.4	68.2	73.6
1986	21.7	5.6	102.6	33.9	163.8	129.9
1987	19.0	4.0	6.8	10.2	40.0	29.8
1988	-16.1	-2.5	-4.5	0.1	-23.0	-23.1
1989	5.8	4.2	-1.2	64.1	72.8	8.8
1990	12.8	2.2	6.2	23.2	44.4	21.2
1991	39.4	8.0	58.9	5.5	111.8	106.3
1992	78.9	21.8	71.0	-16.3	155.4	171.7
1993	129.4	39.4	73.3	-14.1	228.0	242.1
1994	118.9	20.9	-64.6	8.8	84.1	75.2
1995	127.6	5.3	-10.5	89.4	211.8	122.4
1996	216.9	12.3	2.8	89.4	321.3	232.0
1997	227.1	16.5	28.4	102.1	374.1	272.0
1998	157.0	10.2	74.6	235.3	477.1	241.8
1999	187.7	-12.4	-5.5	193.6	363.4	169.8
2000	309.4	-30.7	-49.8	159.6	388.6	228.9
2001	31.9	9.5	87.7	375.6	504.8	129.2
2002	-27.7	8.3	140.7	-46.6	74.7	121.3
2002						
Jan	19.4	2.2	10.4	14.0	46.0	32.0
Feb	4.7	2.3	10.9	-5.5	12.4	17.9
Mar	29.7	3.3	6.6	-53.0	-13.4	39.5
Apr	12.9	3.3	7.7	-19.6	4.3	23.9
May	4.9	1.5	10.5	-3.2	13.6	16.8
June	-18.2	0.4	12.2	-43.6	-49.3	-5.6
July	-52.6	-4.7	28.1	54.6	25.4	-29.2
Aug	-3.1	0.6	17.4	-38.7	-23.9	14.9
Sept	-16.1	-0.6	15.4	-54.9	-56.2	-1.4
Oct	-7.5	-1.0	6.4	12.5	10.4	-2.1
Nov	7.0	1.2	7.6	129.9	145.6	15.8
Dec	-8.3	-0.2	7.3	-38.8	-40.0	-1.2
2003						
Jan	-0.4	1.1	13.0	-1.2	12.5	13.7
Feb	-11.1	0.1	19.7	-39.6	-30.9	8.7
Mar	-0.3	0.9	10.6	-32.3	-21.0	11.3
Apr	16.1	2.7	10.5	-53.8	-24.4	29.4
May	11.9	3.1	8.9	-17.8	6.1	23.9
June	18.6	4.0	5.1	22.1	49.9	27.7
July	21.4	3.5	-10.8	-12.9	1.2	14.1
Aug	22.9	3.3	-12.6	-20.3	-6.6	13.6
Sept						
Oct						
Nov						
Dec						
YTD '02	-2.5	8.9	103.8	-95.2	15.0	110.2
YTD '03	79.3	18.8	44.4	-155.8	-13.4	142.4
% Change	NM	110.3%	-57.2%	NM	-189.1%	29.3%

* New sales (excluding reinvested dividends) minus redemptions, combined with net exchanges
Source: Investment Company Institute

Securities Industry Association
120 Broadway, New York, NY 10271-0080
(212) 608-1500, Fax (212) 608-1604
info@sia.com, www.sia.com