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SECURITIES INDUSTRY PROFITS SURGE IN 1Q'06, AND REMAINED STRONG IN 2Q'06

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MID-YEAR UPDATE: MARKET STRUCTURE AND OTC DERIVATIVES

Kyle L Brandon

MONTHLY STATISTICAL REVIEW AND SECOND QUARTER WRAP-UP

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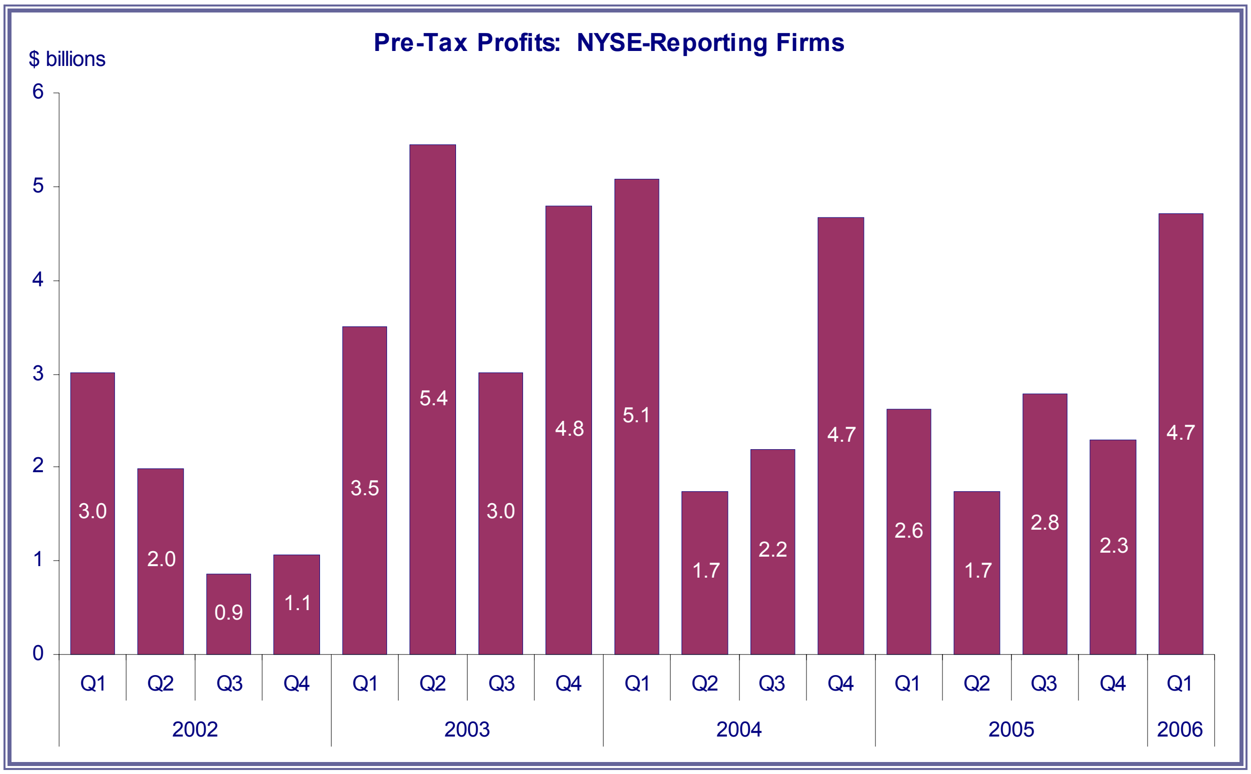
SECURITIES INDUSTRY PROFITS SURGE IN 1Q'06, AND REMAINED STRONG IN 2Q'06

NYSE-member firms reported 1Q'06 pre-tax net income (profits) of $4.7 billion, more than double (up 106.2%) the $2.3 billion of profits reported for this group of securities firms in the immediately preceding period (4Q'05) and up 81.1% from the same year-earlier period. Net revenue (revenue net of interest payments) surged, rising 23.5% relative to 4Q'05 and 27.5% relative to 1Q'05. NYSE-member firms are off to a strong start in 2006, which is made more evident when compared to these earlier periods, both of which were disappointing quarters. It is the best performance since 1Q'04, when NYSE firms recorded $5.1 billion in pre-tax net income, and it is the seventh best result after the $8.2 billion record quarterly result registered in 1Q'00. These strong results largely reflect a surge in trading gains, which more than doubled in 1Q'06 to $9.6 billion, from $4.4 billion in the final quarter of last year.



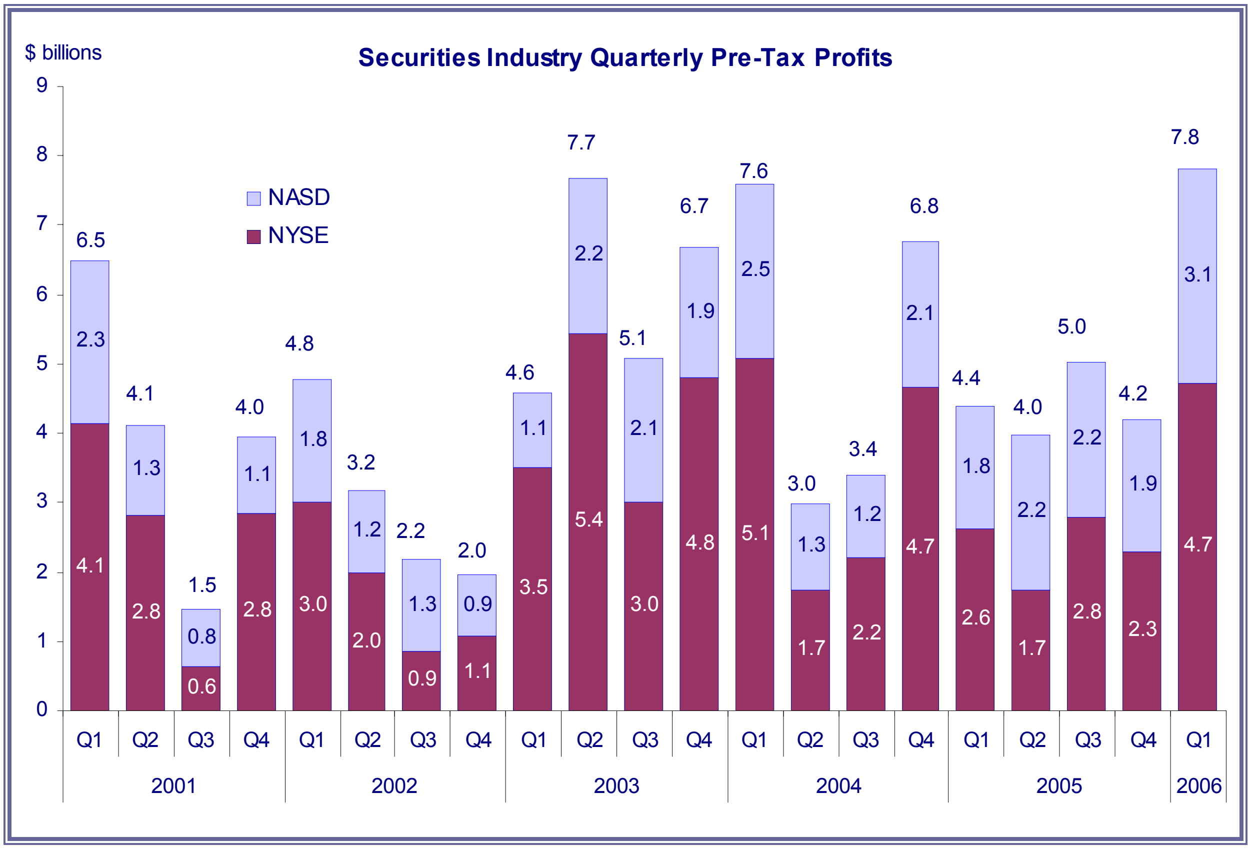
Source: SIA/NYSE DataBank

Adding these results to those for NASD-member firms[1] reported earlier,[2] we now have results for the entire securities industry[3] for 1Q'06. For the industry as a whole, profits were $7.8 billion in 1Q'06, 86.1% more than the $4.2 billion earned in the prior quarter and 78.1% more than the $4.4 billion earned in the same year-earlier period. This strong start to 2006 extended through 2Q'06 and with such a solid first half performance, it appears that results for this year as a whole will easily outpace those registered in 2005. For example, the $7.8 billion profits earned in 1Q'06 is equal to 44.5% of that earned in all of 2005.

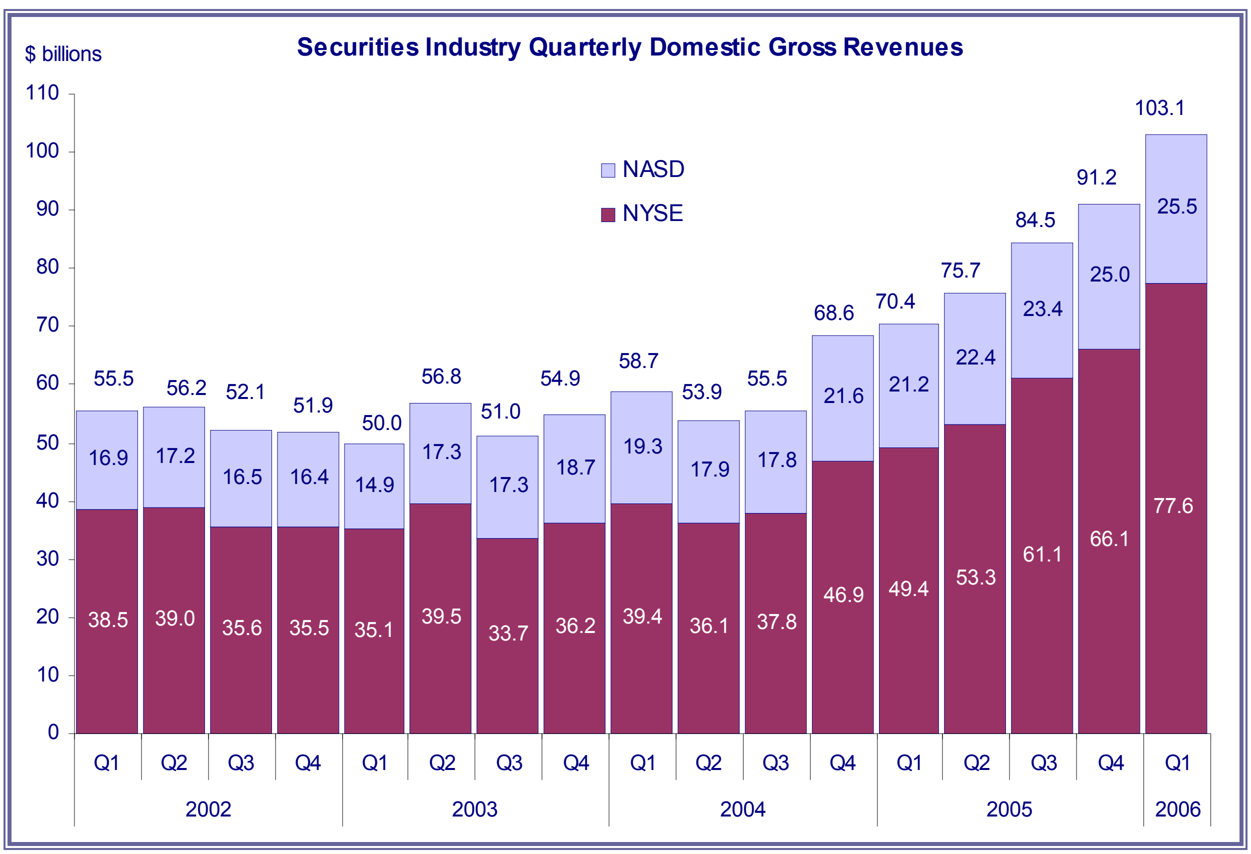
1 Other than those that are also NYSE-reporting member firms. NASD-reporting firms numbered 4,911 in 1Q'06, while NYSE-reporting firms totaled 216.

2 See *SIA Research Reports*, Vol. VII, No. 6 (June 7, 2006), pp. 3-15.

3 The domestic operations of all broker-dealers doing a public business in the United States.

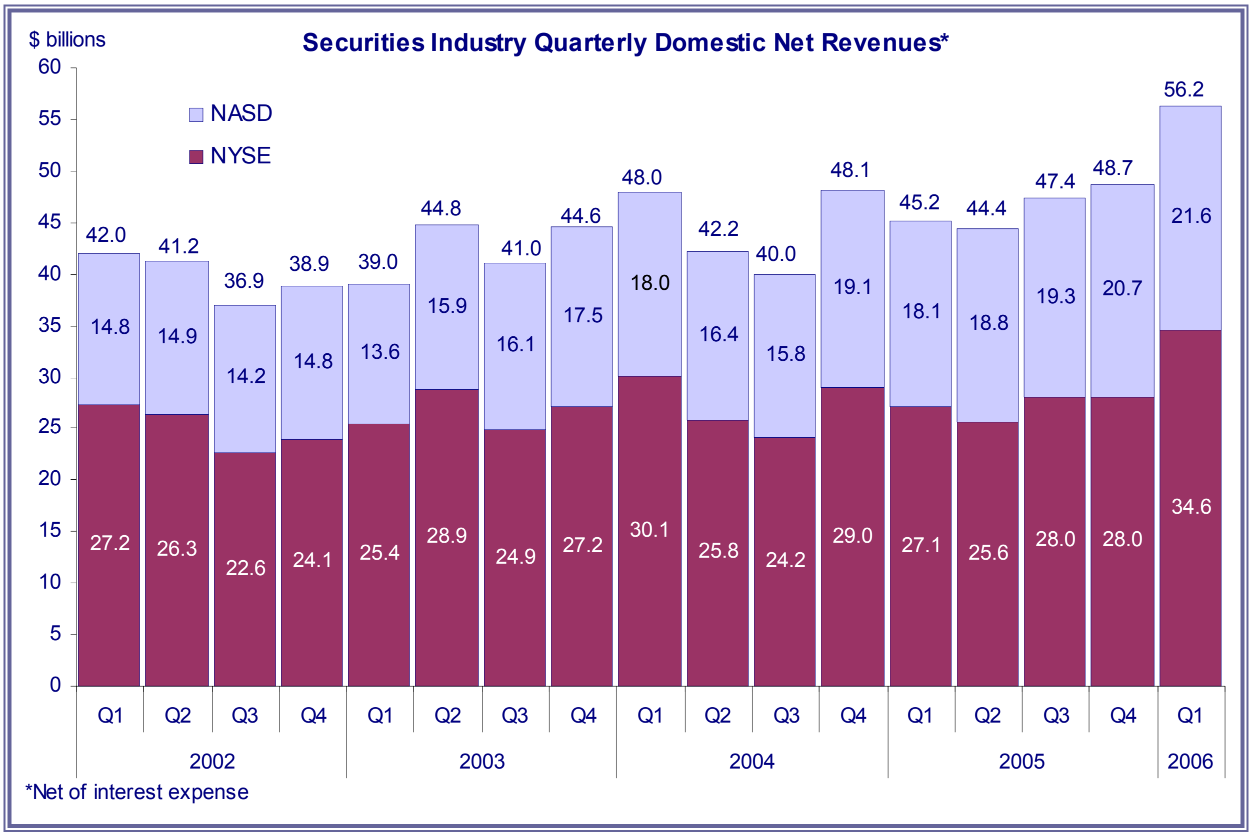


Source: SIA DataBank
Subtotals may not add to totals due to independent rounding.



Source: SIA DataBank
Subtotals may not add to totals due to independent rounding.

In 1Q'06, gross revenues for the entire industry were $103.1 billion, up 13.0% relative to the immediately preceding quarter and 46.5% ahead of the sluggish results obtained in 1Q'05. Net revenues reached $56.2 billion, an increase of 15.5% from levels obtained in 4Q'05 and 24.4% above levels in the same year-earlier period. The surge in net revenue growth largely reflects an extraordinary increase in trading gains, which rose to $11.6 billion in 1Q'06, nearly double the results obtained in either 4Q'05 ($5.9 billion) or 1Q'05 ($6.0 billion).

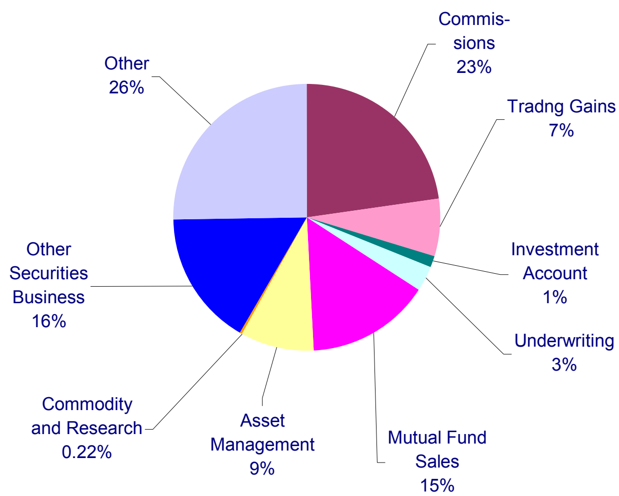


Source: SIA DataBank
Subtotals may not add to totals due to independent rounding.

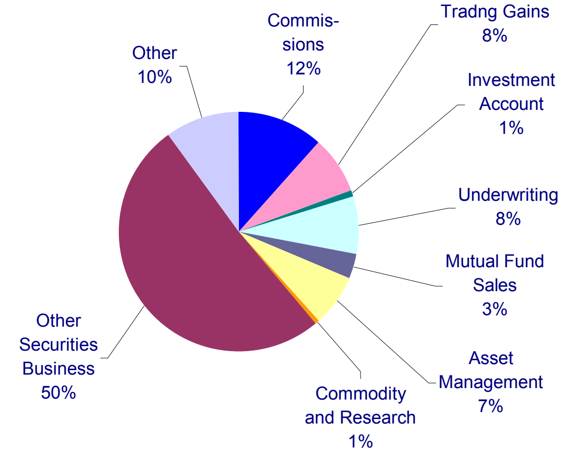
While this jump in trading gains dominated the results for the first three months of this year, most other product and service lines showed continued growth and some surprisingly strong results in 1Q'06, strong growth that is estimated to have continued in the quarter just concluded. Of the major product and service lines, only revenues derived from fixed income underwriting activities declined, trimming total underwriting revenue to $5.4 billion, 3.0% less than in 4Q'05, but still 16.0% ahead of results obtained in the same year-earlier period. All other revenue lines showed growth, many stronger than expected.

Commission and fee income reached $12.8 billion in 1Q'06, 10.7% ahead of results in the same year-earlier period. Growth of mutual fund sales revenues and asset management fees slowed somewhat in 1Q'06 from last year's solid pace, but remained 16.7% and 18.0%, respectively, ahead of revenues in the same year-earlier period. Investment account gains soared, reaching $1.8 billion, well ahead of expectations or results in earlier quarters.

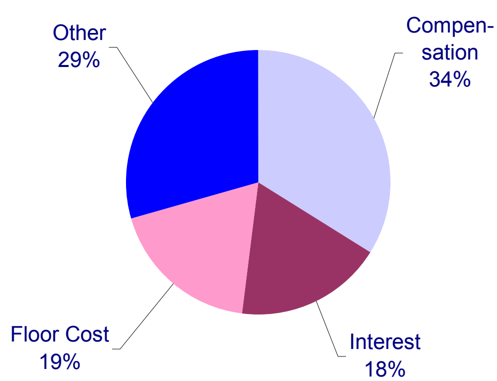
Composition of Revenues
NASD 2005



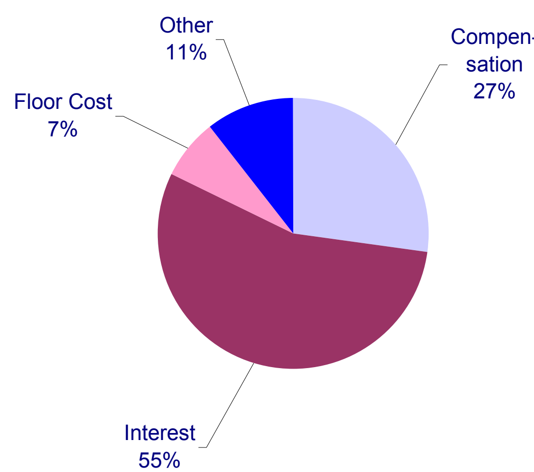
Composition of Revenues
NYSE 2005



Composition of Expenses
NASD 2005



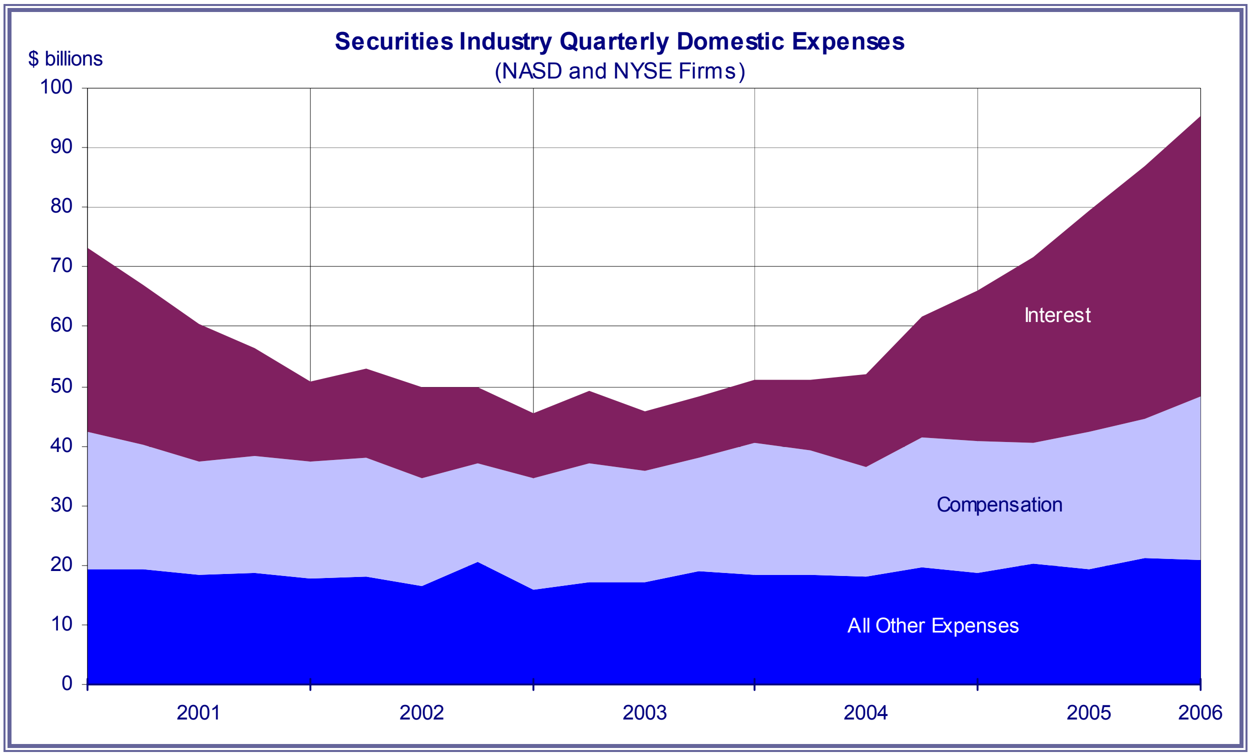
Composition of Expenses
NYSE 2005



Source: SIA DataBank

Revenues from margin lending reached $5.0 billion, up 27.9% from 4Q'05 and 16.7% higher than in 1Q'05, solely reflecting the rise in lending rates rather than an increase in the volume of borrowing by customers. Solid double-digit annual growth in most other revenues lines continued, led by corporate financial advisory fees related to mergers and acquisitions activity and prime brokerage revenues related to the continued rapid growth of their hedge fund clients.

Enhancing these results was a generalized decline in expenses other than compensation and interest expense. Total industry expenses reached $95.3 billion in 1Q'06, up 9.5% from 4Q'05 and 44.4% higher than in 1Q'05. Interest expense reached $46.9 billion, up 10.3% with respect to 4Q'05 and 86.1% compared to 1Q'05. While sharply higher, the growth of interest expense in 1Q'06 did not keep pace with the rise in interest rates, as the industry reduced the degree of leverage it employs. Compensation expense jumped, rising faster than expectations. In 1Q'06, total compensation expense reached $27.6 billion, up 18.6% from 4Q'05 and 25.5% higher than in 1Q'05. The relevant comparison is between 1Q'06 and the same year-earlier period, since the bulk of annual variable compensation payments (bonuses) are paid during this period. All other expenses (non-compensation, non-interest costs) fell in 1Q'06 to $20.8 billion, down 2.0% from 4Q'05 and only 10.4% higher than in the same year-earlier period.



Source: SIA DataBank through 1Q'06

This reduction in "all other expenses" occurred despite an increase in floor costs in 1Q'06. Floor costs, which include floor brokerage fees, commissions and clearance charges paid to other broker dealers, rose roughly in line with commissions and fees recorded as a revenue line item and with higher trading volumes in the first three months of this year. However, increased trading volumes did not inflate data processing costs, which continued to show declining per unit costs and fell as a share of total expenses.

Almost all other operating expenses fell. For example, occupancy and equipment costs for all firms fell 4.3% relative to 4Q'05 and were 2.2% below levels in 1Q'05. This appears to be a reflection of firms' outsourcing of non-producing or support positions and subdued growth of overall headcount, which is up only 0.6% from year-earlier levels on average in 1Q'06. Declines in promotional costs continued as did other controllable or discretionary expenses as firms maintained tight controls. Cautious spending patterns and the benefits of past technology investments have enabled firms to continue to lower per unit transaction costs at a pace faster than the compression of margins on many revenue lines. This remained true despite a sharp rise in profits and higher trading volumes.

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

TOTAL NYSE Member Firms
INCOME STATEMENT & SELECTED ITEMS
$ Millions

	04:Q1	04:Q2	04:Q3	04:Q4	05:Q1	05:Q2	05:Q3	05:Q4	06:Q1	1Q06 vs 4Q05	1Q06 vs 1Q05
REVENUE:											
Commissions	7,622.9	6,332.1	5,691.6	6,693.2	6,475.0	6,119.0	6,446.4	6,571.8	7,164.1	9.0%	10.6%
- Commissions - Listed Equity on an Exchange	4,014.3	3,369.7	2,993.7	3,559.7	3,446.8	3,306.2	3,475.1	3,364.2	3,562.1	5.9%	3.3%
- Commissions - Listed Equity OTC	553.8	481.4	416.9	562.1	487.5	454.4	477.6	531.8	547.4	2.9%	12.3%
- Commissions - Listed Options	361.3	286.5	257.9	309.3	270.1	267.7	293.3	302.9	354.5	17.0%	31.2%
- Commissions - All Other	2,693.5	2,194.5	2,023.1	2,262.1	2,270.6	2,090.7	2,200.4	2,372.9	2,700.1	13.8%	18.9%
Trading Gain (Loss)	5,669.8	3,567.4	2,622.7	5,503.7	4,329.0	3,568.5	4,712.4	4,396.6	9,577.6	117.8%	121.2%
- Gain from OTC Market Making	176.7	78.3	70.2	122.4	146.6	90.7	222.4	20.8	146.2	602.9%	-0.3%
- - Gain from OTC Market Making in Listed Equity	-1.3	-1.7	-2.2	-2.4	-3.7	-4.7	-4.5	-4.4	-1.7	NM	NM
- Gain from Debt Trading	4,538.4	2,837.4	4,633.7	3,745.0	4,031.2	2,425.5	2,066.8	1,552.8	3,497.5	125.2%	-13.2%
- Gain from Listed Options Market Making	-63.5	81.2	-20.6	156.9	-4.4	116.8	85.6	5.3	133.3	NM	NM
- Gain from All Other Trading	1,018.2	570.5	-2,060.6	1,479.4	155.6	695.1	2,337.6	2,817.7	5,800.6	105.9%	NM
Investment Account Gain (Loss)	377.7	148.7	280.4	849.3	203.0	517.5	631.1	207.8	1,189.4	472.4%	485.9%
- Realized Gain	948.8	-640.2	435.7	461.5	471.0	235.7	179.1	332.7	445.8	34.0%	-5.4%
- Unrealized Gain	-588.0	785.1	-152.2	369.5	-275.8	52.5	247.4	-202.9	462.1	NM	NM
Underwriting Revenue	4,549.9	3,871.2	3,654.1	4,583.7	4,036.7	4,004.8	4,487.4	4,732.3	4,759.1	0.6%	17.9%
- Equity Underwriting Revenue	1,078.4	1,009.7	925.4	1,190.7	992.9	1,005.5	1,037.8	1,099.6	1,126.3	2.4%	13.4%
Margin Interest	1,191.2	1,327.3	1,556.7	2,070.8	2,286.2	2,647.8	3,041.3	3,296.7	4,304.4	30.6%	88.3%
Mutual Fund Sale Revenue	1,908.2	1,636.9	1,554.6	1,738.8	1,808.5	1,793.2	1,796.8	1,764.5	2,061.4	16.8%	14.0%
Fees, Asset Management	3,390.2	3,461.9	3,441.0	3,648.5	3,526.8	3,871.6	3,837.9	4,031.7	4,073.4	1.0%	15.5%
Research Revenue	58.7	52.9	54.2	42.0	32.5	45.5	27.8	25.8	54.6	111.6%	68.0%
Commodities Revenue	215.6	545.3	788.1	-618.7	1,302.1	-295.8	-100.6	146.9	80.5	-45.2%	-93.8%
Other Revenue Related to the Securities Business	11,984.2	12,474.0	15,327.9	19,474.3	22,021.8	27,114.7	31,950.3	30,675.4	40,519.6	32.1%	84.0%
Other Revenue	2,459.0	2,648.8	2,783.0	2,963.5	3,199.0	3,936.2	4,297.6	10,297.5	3,779.0	-63.3%	18.1%
TOTAL REVENUE	**39,427.4**	**36,066.5**	**37,754.3**	**46,949.1**	**49,220.6**	**53,323.1**	**61,128.4**	**66,147.0**	**77,563.1**	**17.3%**	**57.6%**
Net Revenue	30,052.9	25,824.6	24,226.1	29,009.5	27,103.0	25,627.5	28,040.0	27,987.3	34,562.1	23.5%	27.5%
EXPENSES:											
Total Compensation	15,739.6	14,622.6	12,796.0	14,692.9	15,128.5	13,479.9	15,830.9	15,514.1	19,845.5	27.9%	31.2%
- Registered Representative Compensation	5,846.7	5,619.0	5,017.8	5,818.0	5,916.1	5,483.1	5,942.2	5,814.8	6,916.8	19.0%	16.9%
- Clerical Employee Compensation	9,150.5	8,291.4	7,162.5	8,270.0	8,582.1	7,388.5	9,279.5	9,058.3	12,263.4	35.4%	42.9%
- Voting Officer Compensation	345.3	321.1	270.6	285.4	287.1	283.2	273.5	302.1	295.3	-2.3%	2.9%
- Other Employee Compensation (FOCUS IIA Only)	397.1	391.1	345.1	319.5	343.2	325.1	335.7	338.9	370.1	9.2%	7.8%
Total Floor Costs	1,288.0	1,208.6	1,141.4	1,201.0	1,261.4	1,282.8	1,294.7	1,394.6	1,629.0	16.8%	29.1%
- Floor Brokerage Paid to Brokers	315.9	329.3	328.1	285.0	302.7	330.9	329.0	383.9	365.3	-4.8%	20.7%
- Commissions & Clearance Paid to Other Brokers	607.7	531.8	487.4	540.2	602.9	595.1	588.9	644.0	868.0	34.8%	44.0%
- Clearance Paid to Non-Brokers	192.4	216.3	229.8	238.4	227.3	241.7	250.2	246.7	248.7	0.8%	9.4%
- Commissions Paid to Broker-Dealers (FOCUS IIA	172.0	131.2	96.1	137.4	128.5	115.1	126.6	120.0	147.0	22.5%	14.4%
Communications Expense	949.7	1,036.0	1,063.8	1,121.4	1,049.8	1,093.7	1,083.3	1,117.0	1,190.1	6.5%	13.4%
Occupancy & Equipment Costs	1,364.7	1,370.9	1,430.0	1,411.6	1,249.3	1,274.2	1,282.1	1,281.2	1,228.6	-4.1%	-1.7%
Promotional Costs	412.1	418.3	398.2	424.6	370.9	388.0	376.5	376.1	367.6	-2.3%	-0.9%
Interest Expense	9,374.5	10,241.9	13,528.2	17,939.6	22,117.6	27,695.6	33,088.4	38,159.7	43,001.0	12.7%	94.4%
Losses from Error Accounts & Bad Debts	70.5	70.0	48.0	86.3	62.9	73.4	54.8	114.4	72.3	-36.8%	14.9%
Data Processing Costs	602.6	586.2	590.9	642.8	649.6	669.6	641.4	764.2	698.7	-8.6%	7.6%
Regulatory Fees & Expenses	263.5	290.4	275.9	320.2	252.2	293.2	293.0	355.0	289.2	-18.5%	14.7%
Non-Recurring Charges	104.4	97.5	184.5	90.8	37.6	88.0	121.6	27.3	51.0	86.8%	35.6%
Other Expenses	4,179.2	4,390.1	4,100.6	4,347.4	4,426.0	5,244.5	4,267.0	4,746.8	4,455.8	-6.1%	0.7%
TOTAL EXPENSES	**34,348.8**	**34,332.5**	**35,557.5**	**42,278.6**	**46,605.8**	**51,582.9**	**58,333.7**	**63,850.4**	**72,828.7**	**14.1%**	**56.3%**
PRE-TAX NET INCOME	**5,078.6**	**1,734.0**	**2,196.8**	**4,670.5**	**2,614.8**	**1,740.2**	**2,794.7**	**2,296.6**	**4,734.5**	**106.2%**	**81.1%**
Federal Income Tax (Tax Benefit)	705.2	-1,357.4	244.8	1,260.0	590.0	114.4	848.0	596.9	1,019.7	70.8%	72.8%
Income (Loss) from Unconsolidated Subsidiaries	229.0	351.5	196.6	286.7	401.0	482.1	366.0	562.9	658.4	17.0%	64.2%
Extraordinary Gain (Loss)	0.0	-7,520.7	0.0	-0.4	-535.3	-209.3	107.7	-0.1	-0.2	100.0%	-100.0%
Cumulative Effect of Accounting Changes	0.0	0.0	0.0	0.0	5.6	0.0	0.0	32.4	22.4	-30.9%	300.0%
NET INCOME	**4,602.4**	**-4,077.7**	**2,148.6**	**3,696.8**	**1,866.8**	**1,898.6**	**2,420.4**	**2,294.9**	**4,395.3**	**91.5%**	**135.4%**
TOTAL ASSETS	**3,413,461.4**	**3,628,434.1**	**3,681,450.2**	**3,841,155.7**	**4,036,634.2**	**4,167,419.7**	**4,228,906.9**	**4,211,633.2**	**4,504,236.2**	**6.9%**	**11.6%**
TOTAL LIABILITIES	**3,320,762.0**	**3,535,377.5**	**3,585,950.5**	**3,745,006.8**	**3,941,098.1**	**4,071,449.1**	**4,131,891.5**	**4,110,979.4**	**4,394,639.4**	**6.9%**	**11.5%**
TOTAL OWNERSHIP EQUITY	**92,699.4**	**93,056.5**	**95,499.7**	**96,148.9**	**95,536.1**	**95,970.6**	**97,015.4**	**100,653.8**	**109,596.8**	**8.9%**	**14.7%**
TOTAL NET CAPITAL	**55,344.1**	**57,261.4**	**60,264.4**	**61,201.0**	**62,878.3**	**68,177.7**	**66,891.1**	**74,619.6**	**73,448.9**	**-1.6%**	**16.8%**
NUMBER OF FIRMS IN CATEGORY	**236**	**232**	**232**	**229**	**227**	**225**	**219**	**217**	**216**	**-0.5%**	**-4.8%**
PERSONNEL - INCOME PRODUCING	**134,114**	**135,328**	**137,642**	**139,118**	**131,177**	**131,557**	**131,051**	**131,119**	**129,807**	**-1.0%**	**-1.0%**
PERSONNEL - ALL OTHER	**156,684**	**160,622**	**161,377**	**160,935**	**154,063**	**157,617**	**156,633**	**155,359**	**157,010**	**1.1%**	**1.9%**
PERSONNEL - TOTAL	**290,798**	**295,950**	**299,019**	**300,053**	**285,240**	**289,174**	**287,684**	**286,478**	**286,817**	**0.1%**	**0.6%**

TOTAL NASD + NYSE Member Firms
INCOME STATEMENT & SELECTED ITEMS
$ Millions

	04:Q1	04:Q2	04:Q3	04:Q4	05:Q1	05:Q2	05:Q3	05:Q4	06:Q1	06:Q1 vs 05:Q4	06:Q1 vs 05:Q1
REVENUE:											
Commissions	13,154.6	11,479.2	10,371.0	12,136.2	11,606.3	11,126.7	11,573.0	11,838.5	12,843.6	8.5%	10.7%
- Commissions - Listed Equity on an Exchange	5,372.3	4,553.1	4,105.3	4,878.2	4,704.5	4,499.4	4,649.6	4,567.5	4,812.8	5.4%	2.3%
- Commissions - Listed Equity OTC	871.0	728.7	617.7	855.5	816.2	747.8	836.8	868.4	897.8	3.4%	10.0%
- Commissions - Listed Options	611.9	424.6	370.5	555.3	433.5	424.0	446.3	474.2	545.4	15.0%	25.8%
- Commissions - All Other	6,299.2	5,772.8	5,277.4	5,847.2	5,652.1	5,455.4	5,640.2	5,928.5	6,587.7	11.1%	16.6%
Trading Gain (Loss)	7,667.0	4,655.5	4,085.3	7,093.4	5,963.1	5,051.2	6,410.8	5,884.6	11,587.6	96.9%	94.3%
- Gain from OTC Market Making	468.3	165.9	127.9	217.7	206.6	160.2	305.7	82.8	230.5	178.5%	11.6%
- - Gain from OTC Market Making in Listed Equity	8.0	4.0	1.0	5.1	4.0	-0.3	-0.3	-1.1	2.8	NM	-28.1%
- Gain from Debt Trading	4,960.0	3,156.5	5,079.4	4,237.3	4,596.3	3,150.2	2,755.5	2,227.1	4,427.8	98.8%	-3.7%
- Gain from Listed Options Market Making	-29.7	114.3	5.5	177.1	-77.9	132.8	119.2	30.3	125.0	312.9%	NM
- Gain from All Other Trading	2,268.4	1,218.8	-1,127.6	2,461.2	1,238.1	1,367.6	3,230.4	3,544.5	6,804.3	92.0%	449.6%
Investment Account Gain (Loss)	751.4	221.2	387.0	1,309.9	339.3	815.5	1,003.2	698.5	1,772.7	153.8%	422.5%
- Realized Gain	984.9	-566.0	540.9	557.9	578.2	384.5	351.9	546.5	707.3	29.4%	22.3%
- Unrealized Gain	-530.1	726.4	-148.2	445.5	-302.0	102.3	282.2	-154.8	566.6	NM	NM
Underwriting Revenue	5,159.7	4,452.1	4,213.6	5,298.6	4,622.0	4,699.6	5,138.8	5,527.2	5,359.2	-3.0%	16.0%
- Equity Underwriting Revenue	1,087.3	1,017.3	931.1	1,199.3	996.5	1,011.9	1,079.8	1,114.6	1,183.2	6.2%	18.7%
Margin Interest	1,337.3	1,480.9	1,722.8	2,409.1	2,696.9	3,060.5	3,579.8	3,919.9	5,014.1	27.9%	85.9%
Mutual Fund Sale Revenue	5,024.9	4,543.1	4,327.6	4,760.3	5,002.0	5,047.1	5,170.2	5,437.6	5,836.2	7.3%	16.7%
Fees, Asset Management	5,042.1	5,115.1	5,118.7	5,571.5	5,423.7	5,785.3	5,802.3	6,264.7	6,401.6	2.2%	18.0%
Research Revenue	59.4	53.5	54.7	43.6	34.6	46.8	29.0	27.2	60.3	121.7%	74.2%
Commodities Revenue	382.8	708.6	669.8	-274.8	1,240.6	-183.2	-26.0	212.6	271.8	27.9%	-78.1%
Other Revenue Related to the Securities Business	13,695.7	14,280.5	17,312.8	22,331.1	25,219.9	30,620.9	35,742.7	34,960.0	44,621.6	27.6%	76.9%
Other Revenue	6,402.8	6,938.4	7,248.6	7,907.9	8,226.2	9,627.8	10,081.6	16,418.8	9,308.2	-43.3%	13.2%
TOTAL REVENUE	**58,677.7**	**53,928.2**	**55,511.8**	**68,586.7**	**70,374.4**	**75,698.2**	**84,505.2**	**91,189.5**	**103,077.0**	**13.0%**	**46.5%**
Net Revenue	48,017.2	42,208.4	39,978.9	48,086.3	45,190.6	44,390.4	47,369.4	48,669.6	56,197.4	15.5%	24.4%
EXPENSES:											
Total Compensation	22,158.4	20,727.1	18,597.7	21,681.8	21,979.7	20,251.1	22,892.2	23,256.8	27,590.8	18.6%	25.5%
- Registered Representative Compensation	7,906.7	7,614.1	6,914.0	7,808.6	8,139.1	7,664.1	8,178.4	8,057.0	9,436.1	17.1%	15.9%
- Clerical Employee Compensation	10,035.8	9,101.6	7,948.7	9,400.2	9,812.9	8,602.9	10,486.7	10,361.3	13,628.5	31.5%	38.9%
- Voting Officer Compensation	902.2	840.7	764.5	1,102.0	846.6	790.0	805.9	1,033.7	820.3	-20.6%	-3.1%
- Other Employee Compensation (FOCUS IIA Only)	3,313.5	3,170.7	2,970.5	3,371.0	3,181.1	3,194.1	3,421.2	3,804.9	3,705.9	-2.6%	16.5%
Total Floor Costs	4,319.2	4,223.1	3,951.1	4,255.9	4,307.7	4,449.7	4,557.1	4,724.7	5,081.0	7.5%	17.9%
- Floor Brokerage Paid to Brokers	373.2	386.2	383.2	328.6	353.7	383.3	380.4	464.6	447.1	-3.8%	26.4%
- Commissions & Clearance Paid to Other Brokers	995.5	915.8	827.1	933.5	976.8	994.0	1,004.7	1,044.1	1,300.2	24.5%	33.1%
- Clearance Paid to Non-Brokers	287.7	299.9	313.3	342.8	347.5	376.0	373.0	387.1	367.9	-5.0%	5.9%
- Commissions Paid to Broker-Dealers (FOCUS IIA	2,662.7	2,621.2	2,427.5	2,650.9	2,629.7	2,696.4	2,799.1	2,828.8	2,965.7	4.8%	12.8%
Communications Expense	1,065.1	1,145.7	1,177.9	1,285.2	1,217.2	1,255.5	1,245.1	1,277.8	1,349.8	5.6%	10.9%
Occupancy & Equipment Costs	1,552.4	1,567.0	1,621.2	1,733.3	1,563.9	1,586.7	1,591.2	1,598.3	1,529.3	-4.3%	-2.2%
Promotional Costs	572.0	569.8	540.0	658.4	583.5	603.3	588.6	669.2	648.1	-3.2%	11.1%
Interest Expense	10,660.5	11,719.7	15,532.8	20,500.4	25,183.8	31,307.8	37,135.8	42,519.9	46,879.6	10.3%	86.1%
Losses from Error Accounts & Bad Debts	87.6	84.3	59.8	101.8	90.9	95.3	78.0	104.9	97.0	-7.5%	6.7%
Data Processing Costs	817.6	789.4	771.1	848.7	830.9	862.7	834.8	977.8	909.4	-7.0%	9.5%
Regulatory Fees & Expenses	330.7	377.5	340.6	409.1	325.5	391.1	385.1	450.0	366.5	-18.5%	12.6%
Non-Recurring Charges	107.3	176.7	187.4	209.3	38.5	89.0	122.3	34.2	52.0	52.1%	35.0%
Other Expenses	9,422.0	9,563.2	9,337.8	10,148.0	9,859.9	10,836.7	10,063.8	11,371.9	10,749.0	-5.5%	9.0%
TOTAL EXPENSES	**51,092.8**	**50,943.6**	**52,117.5**	**61,831.8**	**65,981.7**	**71,728.7**	**79,493.9**	**86,985.5**	**95,252.4**	**9.5%**	**44.4%**
PRE-TAX NET INCOME	**7,584.9**	**2,984.6**	**3,394.3**	**6,754.9**	**4,392.7**	**3,969.5**	**5,011.3**	**4,204.1**	**7,824.7**	**86.1%**	**78.1%**
Federal Income Tax (Tax Benefit)	1,125.6	-1,072.5	395.6	1,716.3	1,020.1	563.2	1,293.8	1,009.2	1,591.3	57.7%	56.0%
Income (Loss) from Unconsolidated Subsidiaries	462.1	250.5	279.7	591.2	441.7	505.0	414.9	595.3	696.8	17.0%	57.7%
Extraordinary Gain (Loss)	-1.0	-7,610.2	0.3	-2.6	-535.9	-212.1	107.4	0.0	-0.3	-16150.0%	-99.9%
Cumulative Effect of Accounting Changes	0.0	0.0	0.3	-0.1	5.5	0.0	0.0	23.2	24.5	5.6%	349.0%
NET INCOME	**6,920.6**	**-3,302.5**	**3,279.0**	**5,627.2**	**3,254.6**	**3,699.2**	**4,239.9**	**3,813.4**	**6,954.3**	**82.4%**	**113.7%**
TOTAL ASSETS	**4,149,870.4**	**4,383,531.3**	**4,481,652.8**	**4,623,588.9**	**4,965,238.9**	**5,052,188.6**	**5,207,099.0**	**5,039,209.2**	**5,477,428.8**	**8.7%**	**10.3%**
TOTAL LIABILITIES	**4,009,138.4**	**4,243,361.4**	**4,337,808.8**	**4,477,399.6**	**4,825,397.7**	**4,911,516.0**	**5,064,261.8**	**4,890,918.1**	**5,320,334.7**	**8.8%**	**10.3%**
TOTAL OWNERSHIP EQUITY	**140,731.9**	**140,169.8**	**143,844.0**	**146,189.3**	**139,841.2**	**140,672.6**	**142,837.2**	**148,291.1**	**157,094.1**	**5.9%**	**12.3%**
TOTAL NET CAPITAL	**80,019.3**	**82,418.4**	**86,064.9**	**87,126.7**	**88,321.9**	**94,168.0**	**92,691.2**	**101,334.0**	**99,996.5**	**-1.3%**	**13.2%**
NUMBER OF FIRMS IN CATEGORY	**5,290**	**5,274**	**5,269**	**5,219**	**5,191**	**5,196**	**5,184**	**5,134**	**5,127**	**-0.1%**	**-1.2%**
PERSONNEL - INCOME PRODUCING	**186,574**	**187,643**	**190,240**	**197,680**	**190,468**	**190,475**	**190,109**	**190,767**	**189,076**	**-0.9%**	**-0.7%**
PERSONNEL - ALL OTHER	**186,434**	**190,715**	**191,524**	**198,557**	**191,840**	**196,043**	**193,214**	**192,514**	**195,542**	**1.6%**	**1.9%**
PERSONNEL - TOTAL	**373,008**	**378,358**	**381,764**	**396,237**	**382,308**	**386,518**	**383,323**	**383,281**	**384,618**	**0.3%**	**0.6%**

MID-YEAR UPDATE: MARKET STRUCTURE AND OTC DERIVATIVES

Introduction

Every year securities firms confront a number of hot issues or changes emerge that significantly impact the industry. Market structure and over-the-counter (OTC) derivatives are of importance to the industry and the financial markets as a whole because they are where crucial money-making products and services intersect with intense regulatory activity. The impact of how these areas develop going forward will be profound, and therefore it behooves us to a keep a close watch and periodically report on them. This issue of *SIA Research Reports* will take a look at these two topics, while future articles will tackle other hot issues such as the Basel II-CSE program, prime brokerage and hedge funds and short selling/Reg SHO.

Market Structure

Regulation NMS[1] was passed with the stated purpose of modernizing and improving the national market system for the trading of equities through a series of new regulations.[2] While Reg NMS has undergone significant changes since it was first proposed in 2004, faced significant opposition even from SEC commissioners, and seen implementation postponed[3] due to unrelated changes in the structure of several U.S. markets, it now seems to be on track. The implementation schedule was recently set (see box below) and looks unlikely to be changed.

The technical challenges remain for all parties – the exchanges and ***self-regulatory organizations*** (***SROs***), ***electronic communication networks*** (***ECNs***) and other ***trading centers*** (for example, over-the-counter (OTC) market makers and ***block positioners***), and other market participants. The marketplaces appear to be unanimous in their desire to work with the securities industry. One representative stated that the marketplaces are "working closely with the industry to facilitate best execution and NMS compliance," while another explained that they seek to "provide the facilities and linkages to allow [broker-dealers] to go out and get best execution for their customers."[4] Reg NMS implementation has spurred the development of greater automated execution capability in many exchanges, and the migration to single trading platforms on which a variety of products – such as equities, options and ***exchange traded funds*** (***ETFs***) – trade side-by-side.

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1 Regulation NMS (national market system) was approved by a vote of three to two by the U.S. Securities and Exchange Commission on June 9, 2005. The rule itself and related materials, including the written dissent, subsequently released guidance, and testimony, may be found on the SEC web site (www.sec.gov/spotlight/regnms.htm).

2 See, for example, Brandon, Kyle L., "Market Structure and Reg NMS: New Rules, New World," *SIA Research Reports*, Vol. VI, No. 6, June 20, 2005, pp. 3-10 (www.sia.com/research/pdf/RsrchRprtVol6-6.pdf).

Terms in ***bold blue italics*** are defined in the glossary at the end of this article.

3 See Regulation NMS: Extension of Compliance Dates (Final Rule Release No. 34-53829, May 18, 2006) (www.sec.gov/rules/final/2006/34-53829.pdf).

4 McTague, Rachel, "NYSE Sees Best Execution Differently from Amex, Nasdaq," *BNA Inc. Daily Report for Executives*, July 18, 2006.

Reg NMS Phased-in Compliance Dates[5]

Oct. 16, 2006 (Specifications Date): Final date for publication of final technical specifications for the Reg NMS-compliant trading systems of all ***automated trading centers*** that intend to qualify their quotations for **trade-through protection**.

Feb. 5, 2007 (Trading Phase Date): Final date for full operation of Reg NMS-compliant trading systems of all automated trading centers intending to qualify their quotations for trade-through protection.

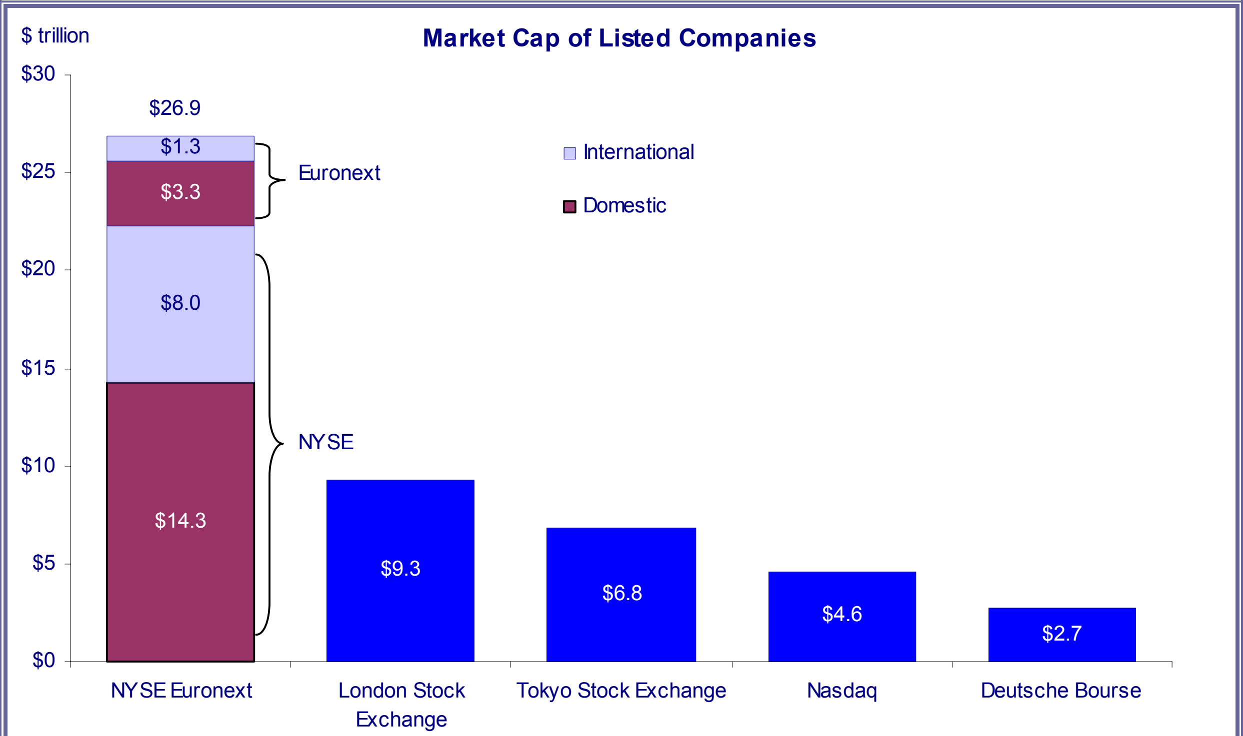
April 1, 2007 (Allocation Amendment): Market Data Revenue Formula[6] will go into effect. Automated trading centers will be eligible for market data quote credits.

May 21, 2007 (Pilot Stocks Phase Date): Start of full industry compliance for 250 ***NMS stocks*** (100 NYSE stocks, 100 Nasdaq stocks, and 50 Amex stocks.

July 9, 2007 (All Stocks Phase Date): Start of full industry compliance.

Oct. 8, 2007 (Completion Date): Completion of phased in compliance with ***Rules 610 and 611***.

Reg NMS has very much affected the business models of market participants, and most likely will be responsible for doing away with the existing ***Intermarket Trading System*** (***ITS***). The New York Stock Exchange-Archipelago merger and subsequent public offering and NASDAQ's acquisition of Inet are the two prominent domestic examples. Exchange developments have not been limited by national borders. Major U.S. exchanges have vied for combinations with European marketplaces this year as evidenced by NASDAQ's purchase of a significant stake (25.1%) in the London Stock Exchange (LSE) and the NYSE Group's proposed merger with Euronext.[7]



Note: NYSE international figure excludes domestic companies listed on Euronext, and Euronext international figure excludes domestic and foreign companies listed on the NYSE.

Sources: World Federation of Exchanges, Reuters, Bloomberg and NYSE Group as of April 30, 2006, found in NYSE Group/Euronext presentation, "A Truly Global Marketplace," May 22, 2006.

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[5] The SEC published new Reg NMS compliance dates on May 18, 2006 (www.sec.gov/rules/final/2006/34-53829.pdf). The milestones are from Jordan, Thomas J. *et al.*, panel presentation, "Building for Reg NMS: Filings and Functionality," at the SIA Technology Management Conference, June 21, 2006, Hilton New York (www.sia.com/tmc2006/pdf/REGNMS.pdf).

[6] The market data revenue allocation formula is discussed at length in Regulation NMS (Final Rule Release No. 34-51808, June 9, 2005) (www.sec.gov/rules/final/34-51808.pdf).

[7] Euronext is a cross-border exchange organization, providing services for regulated stock and derivatives markets in Begium, France, the Netherlands and Portugal, as well as in the UK (derivatives only).

Other, smaller, but nonetheless important market structure developments include the evolution of block-crossing networks such as Liquidnet and Pipeline.[8] As market participants seek to find and create greater pools of liquidity under ever-more fragmented conditions, new combinations, which may include traditional players as well as new entrants, are developing. ECNs that are not affiliated with exchanges are also contemplating how to thrive under the new rules that make access to market data generated by exchanges even more important.

Market structure regulatory changes are also not confined to national borders. The European Union is undergoing regulatory changes that are perhaps even more market shaking in the form of the Markets in Financial Instruments Directive (MiFID), which will provide a structure and framework for financial markets across the EU. There are three main areas of MiFID: conduct of business rules for investment companies; market structure and transparency; and the interaction between regulators.[9] While the complexities of MiFID are too numerous for this discussion, it would be no exaggeration to state that MiFID imposes broader requirements. Although focussing on equity trading, MiFID also applies to fixed-income and OTC instruments, in contrast to Reg NMS which is specific to equity markets.[10]

Requirements regarding the classification of clients into categories, and the more onerous requirements for certain of those categories, are just the beginning of compliance worries. Best execution is also defined differently in the EU than in the U.S., as are the requirements as to how to prove best execution. U.S. firms that do business in the U.S., whether on the buy- or sell-side, will have to make sure they are up to speed and ready to comply with MiFID, which is scheduled to be adopted in law in EU member states by November 2007. A comparison of the impacts of the Reg NMS and MiFID, in particular their relative impact on technology, is provided below.

Comparing the New Market Rules

	Reg NMS	MiFID
Implementation	2006	November 2007
Key regulatory authority	SEC	European Union
Objectives	— Best execution in key equity markets — Fairer access and new rules for price quotes — Changes to market data handling	— Investor protection — Best execution/enhance transparency — Improve order execution — Bolster market integrity and efficiency
Technology impact	— Sophisticated order routing — Compliance tools — Market data applications — Cross-venue capabilities	— Trading and order routing — Regulatory reporting — Archive/historic pricing — Customer management trade reporting — Market data — Reference data — Compliance tools
Likely market impact	— Significant impact on established exchanges — Increased importance of cross-venue utilities	— Increased concentration on the sell side — Increased competition for established exchanges — Potential pressure for pan-European exchange — Pressure to split exchange and clearing
Estimated costs	$544 million IT costs over four years (*AITE Group data*)	EUR 1 billion (*TowerGroup data*)

Source: Sun Microsystems white paper, "A Tale of Two Regulations," as quoted in Kentouris, Chris, "MiFID: The Continental Shift in Markets," *Securities Industry News*, April 3, 2006, p. 16.

8 See, for example, Jaworski, Alexa, "Block-Crossing Networks Gain Ground," *Securities Industry News*, February 20, 2006; and Raminstella, Alex, "Crossing Networks: Bringing Back Large Trades to Institutional Trading," The Tower Group, Inc., February 2006.

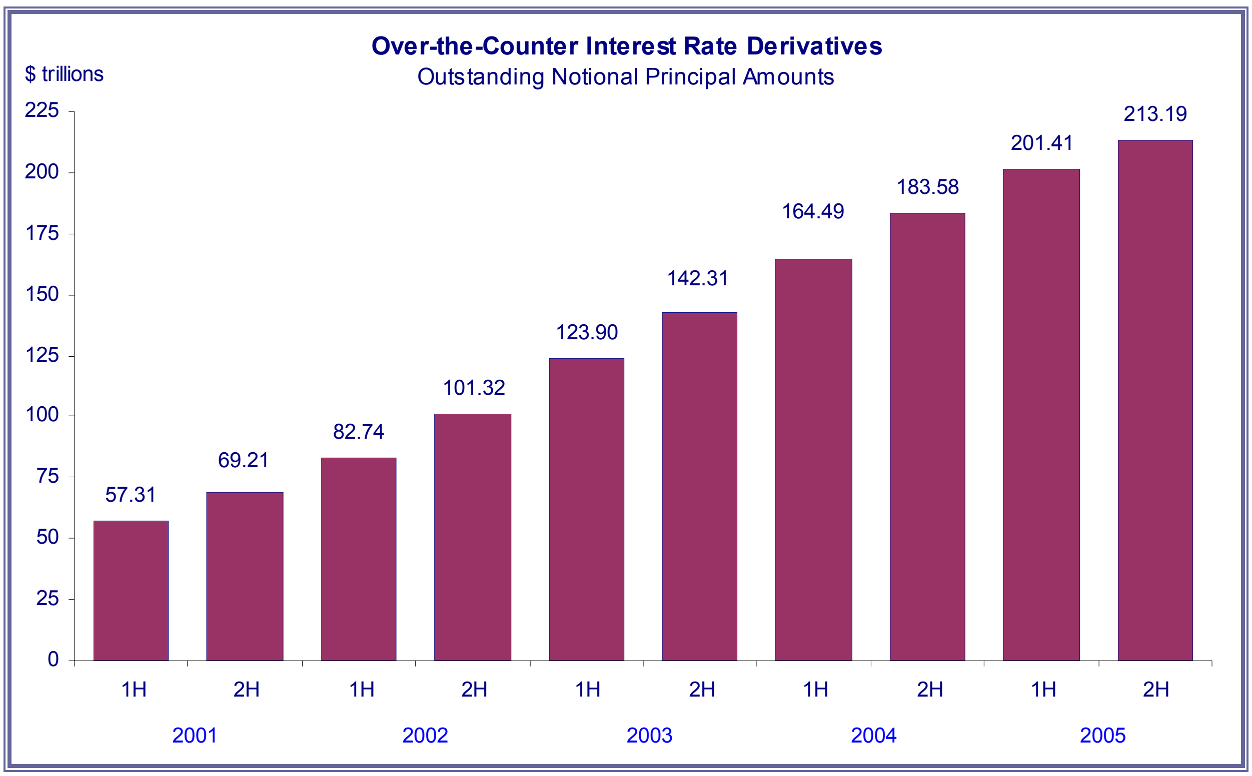
9 Hargreaves, Deborah, "Balancing Act," *Financial World*, April 2006, p. 16.

10 Industry response to the FSA proposal on MiFID best execution benchmarking may be found on The Bond Market Association (www.bondmarkets.com), International Swaps and Derivatives Association (www.isda.org/index.html) and International Capital Market Association (www.icma-group.org) web sites.

OTC Derivatives

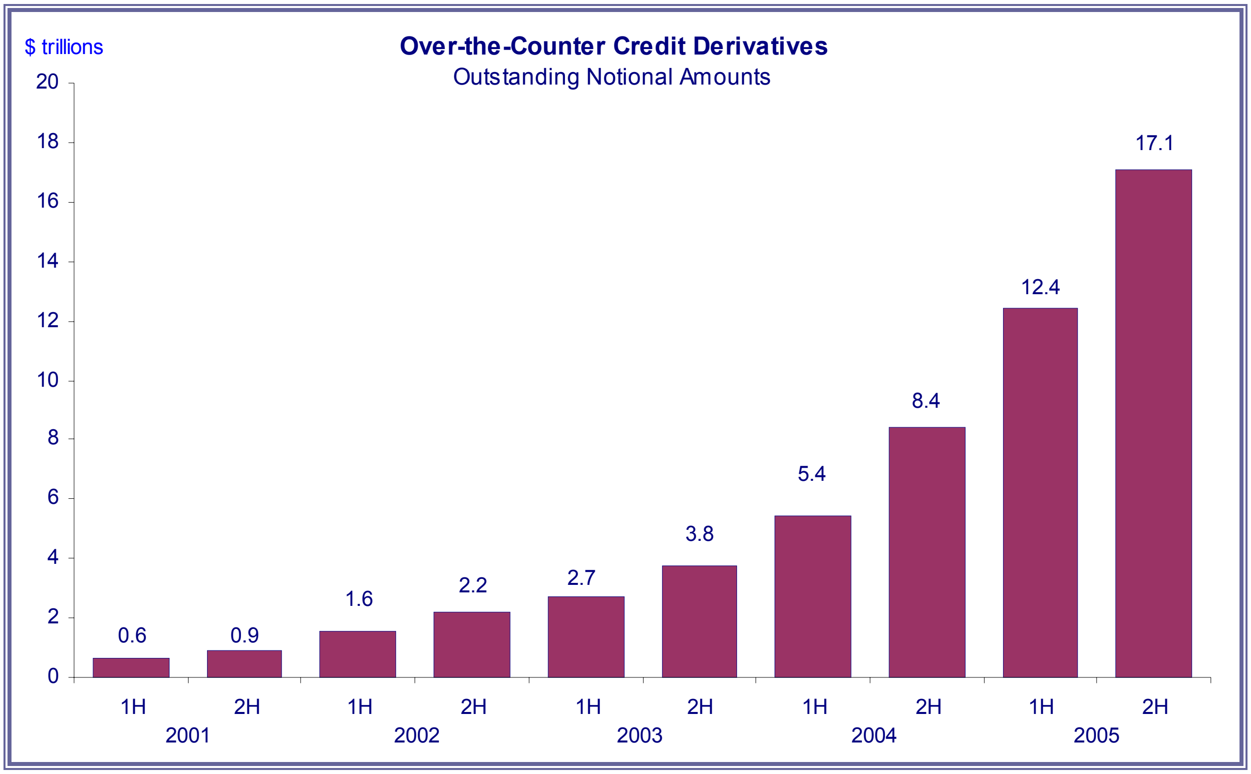
The market in OTC derivatives has continued to grow rapidly, outpacing the growth of most other financial products and services, with exceptional rates recorded in ***credit default swaps*** (***CDS***). While there are many ways to measure these markets (although none, perhaps, completely), the International Swaps and Derivatives Association's (ISDA) semiannual survey has become a standard measurement tool that is widely accepted and used by market participants. Below are three graphs that show the growth of OTC interest rate, credit default and equity derivatives.

The growth rate of OTC interest rate derivatives has leveled off at 5.8% in the second half of 2005, from double-digit semi-annual growth rates through the end of 2004. OTC ***credit derivatives*** show a higher growth rate, although from a smaller base than interest rate derivatives. Semi-annual growth slowed to 37.5% in the second half of 2005, although annual growth still topped 100%. OTC equity derivatives are a smaller market still, although showing 15.1% growth in the second half of 2005 and 33.8% growth for the year as a whole.



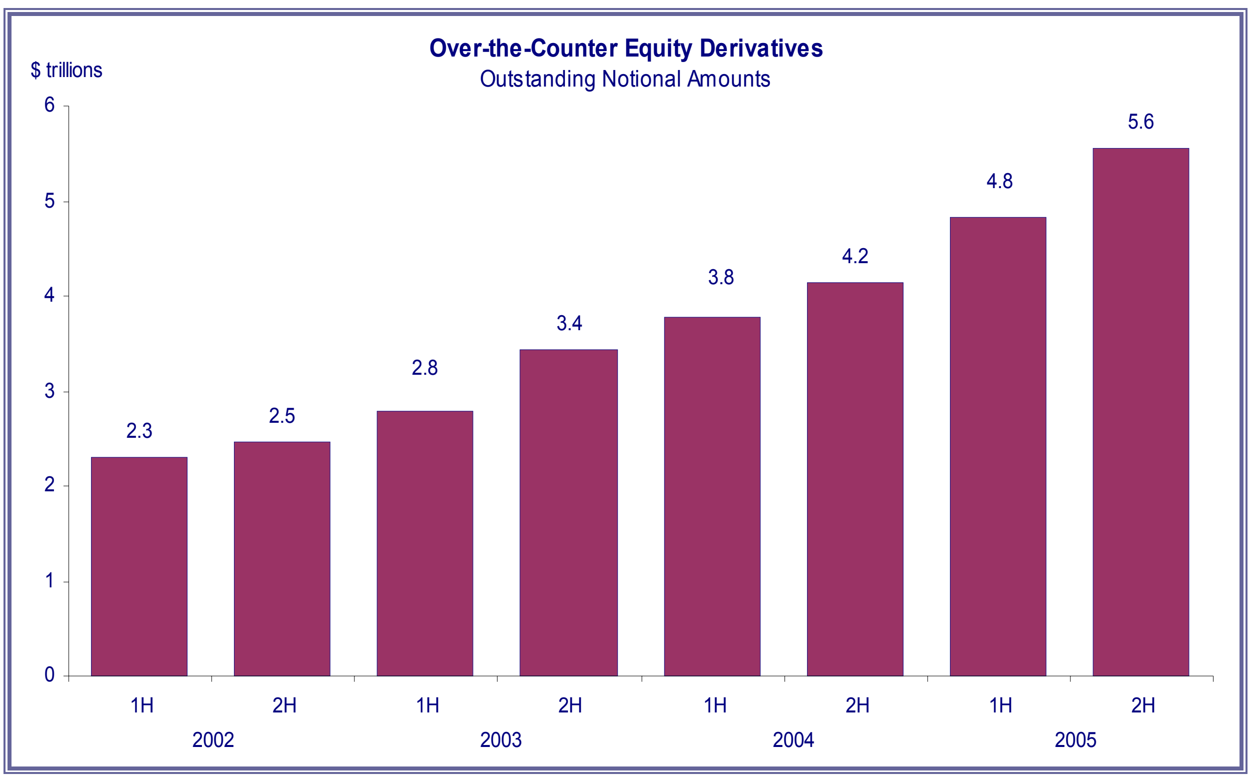
Source: ISDA Year-End 2005 Market Survey

Note: Interest rate derivatives, for the purpose of this Survey, include interest rate swaps and options and cross-currency swaps.



Source: ISDA Year-End 2005 Market Survey

Note: Credit derivatives, for the purpose of the Survey, include credit default swaps, baskets and portfolio transactions indexed to single names, indexes, baskets, and portfolios.

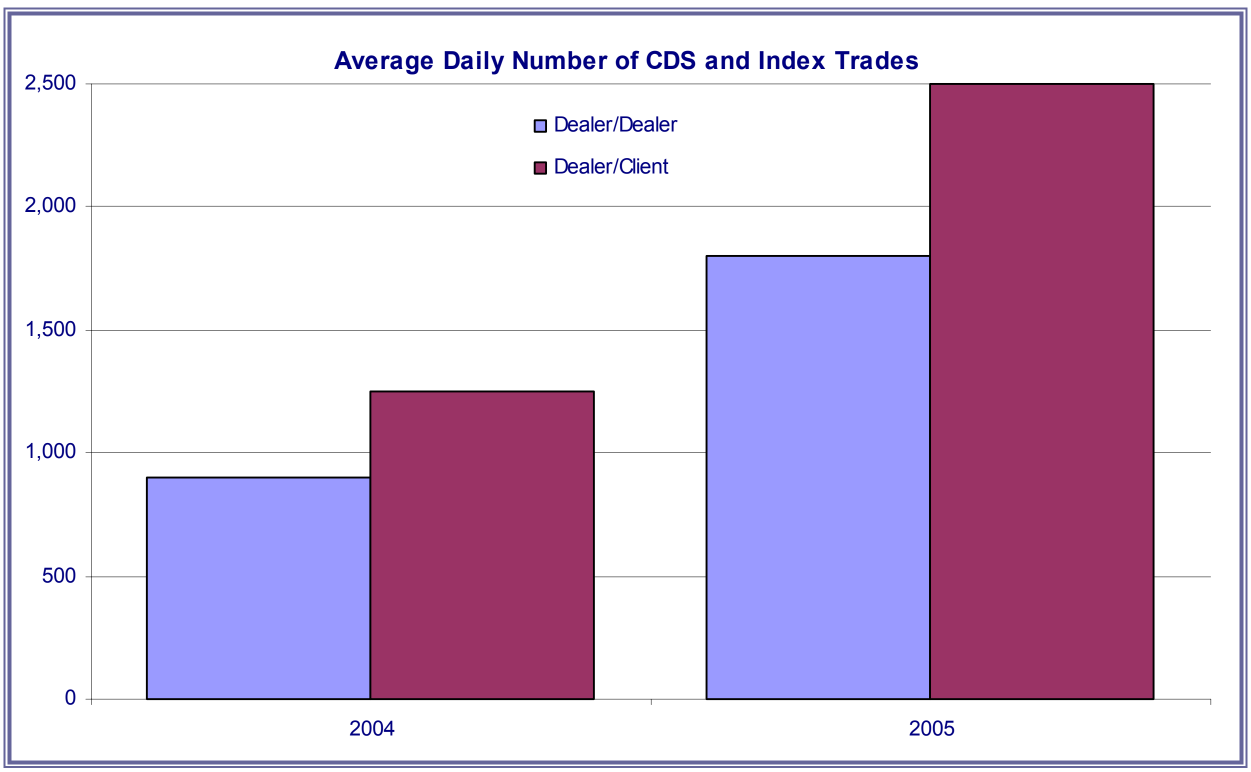


Source: ISDA Year-End 2005 Market Survey

Note: Equity derivatives, for the purpose of this Survey, include equity swaps, options and forwards.

Credit derivatives,[11] in particular credit default swaps, have gained a bit of notoriety due to regulatory attention on the backlog of settlements that had grown with the phenomenal growth of the market. Last year saw the formation of an industry working group (comprised of 14 major dealers, spurred on by the Federal Reserve Bank of New York president and working together with several industry trade organizations), which strived not just to reduce the back log, but to improve credit default swap settlement, systems and documentation more generally. At that time the working group set June 30, 2006 as the deadline to reduce confirmations outstanding for more than 30 days by 70%. On July 19, the group announced that it had achieved an 80% reduction in such outstanding confirmations and would continue to work together to meet further industry-wide October 2006 targets.[12] These targets are to shorten the confirmation (T+1 business day) and affirmation (T+5 business day) cycle for electronically-eligible products, and for all other products: confirmation issuance (T+10 calendar days); client reply (T+20 calendar days); and achieving execution (T+30 days).

Automation has become more and more necessary to keep up with the growing trade volume in credit derivatives. Such technological solutions can lift the burden of processing standard trades, reducing both the time it takes to settle trades and errors inherent to doing contracts by hand. While the volume of credit derivatives has exploded over the past several years, there have been relatively few defaults. That means that the market and its systems have yet to be fully tested by stress events. Greater standardization of terms and automation of post-trade processing should contribute to smoother operations under normal and stressed conditions.



Source: Aite Group, as quoted in Kentouris, Chris, "Back Office Prescriptions," *Securities Industry News*, June 5, 2006, p. 10.

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[11] For an introduction to credit derivatives see Brandon, Kyle L and Fernandez, Frank A., “Financial Innovation and Risk Management: An Introduction to Credit Derivatives,” *SIA Research Reports*, Vol. V, No. 13, December 8, 2004 (www.sia.com/research/pdf/RsrchRprtVol5-13.pdf).

[12] The July 19, 2006 press release and letter to market participants, as well as the March 10, 2006 letter to the president of the Federal Reserve Bank of New York which lays out the group’s commitments and goals, can be found on The Bond Market Association (www.bondmarkets.com), Managed Funds Association (www.mfainfo.org) and ISDA (www.isda.org/index.html) web sites.

Novations are another aspect of CDS settlements that is being addressed by the industry. OTC contracts such as CDS maybe transferred, or assigned, by one counterparty to the contract to a third party, a practice referred to as novation, unbeknownst to the other original counterparty. This practice has meant that the information in the contract regarding future payments or receipts of payments is no longer accurate, and the uninformed counterparty no longer knows to whom he has exposure. New documentation, ISDA's 2005 novation protocol, addresses this problem by compelling notification to all parties to a trade when a deal is assigned. However, automation, such as a centralized database of all assignments, is being developed that will further help alleviate mismatches in information.

Another very hot topic in the world of OTC derivatives, and in particular complex and exotic instruments, is reliable pricing. Several pricing services exist but have yet to become, on their own, sufficiently comprehensive to be a complete solution for buy- and sell-side market participants. Recent market combinations such as the purchase by valuations provider Markit Communicator, a distributor of post-trade processing and secure messaging solutions and S&P's alliance with Complex Security Valuations are examples of attempts to meet the very high demand for accurate pricing in the OTC derivatives space.

Kyle L Brandon
Vice President and Director, Securities Research

Glossary[13]

Alternative Trading System (***ATS***) means any organization, association, person, group of persons, or system that: (1) constitutes, maintains, or provides a marketplace or facilities for bringing together purchasers and sellers of securities or for otherwise performing with respect to securities the functions commonly performed by a stock exchange; and (2) does not: (i) set rules governing the conduct of subscribers other than the conduct of such subscribers' trading on such organization, association, person, group of persons, or system; or (ii) discipline subscribers other than by exclusion from trading.

Automated quotation is defined as one displayed by a trading center that immediately and automatically: executes an order against the displayed quotation; cancels any unexecuted portion of the order without routing it elsewhere; transmits a response to the sender of the order indicating the action taken; and updates the displayed quotation. No human intervention to determine the action taken with respect to the quotation is allowed after the time an order is received.

Automated trading center is defined as a trading center that: (1) has implemented such systems, procedures, and rules as are necessary to render it capable of displaying quotations that meet the requirements for an ***automated quotation***; (2) identifies all quotations other than automated quotations as manual quotations; (3) immediately identifies its quotations as manual quotations whenever it has reason to believe that it is not capable of displaying automated quotations; and (4) has adopted reasonable standards limiting when its quotations change from automated quotations to manual quotations, and vice versa, to specifically defined circumstances that promote fair and efficient access to its automated quotations and are consistent with the maintenance of fair and orderly markets.

Block positioners engage in block trading, the purchase or sale of large quantities of stock. Typically, trades involving 10,000 or more shares and $200,000 or greater in value are considered block trades.

Credit default swaps (***CDS***) are the most common and most liquid type of ***credit derivatives***. A CDS is a bilateral financial contract by which the protection buyer pays a periodic fee/premium to the protection seller in exchange for a contingent payment in case a credit event involving the reference asset occurs during the contract period. A CDS carries a fee or premium that reflects the credit risk of the reference asset issuer and is usually quoted as a spread over a reference rate such as Libor, to be paid either upfront, quarterly or semiannually.

Credit Derivatives are bilateral financial contracts that isolate the credit risk (from other forms of risk such as market or operational risk) of a reference credit and transfers that risk from one party to the other. Credit derivative payoffs are contingent on the realization of a credit event (bankruptcy, failure to pay, obligation acceleration, restructuring, repudiation, moratorium, etc.). These instruments should reflect market assessments of the likelihood of a credit event (estimate the probability of default) and the expected value of the reference security after the event (recovery value).

Electronic Communication Networks (ECNs) connect major brokerages and individual traders so that they can trade directly between themselves without having to go through a middleman.

Exchange traded funds (***ETFs***) are funds that typically track particular indexes of stocks or bonds, issue shares traded on securities markets like stocks, and aren't actively managed. More formally, ETFs are investment companies registered under the Investment Company Act of 1940 (the "Investment Company Act") either as unit investment trusts or as open-end investment companies (mutual funds), but differ from these more traditional forms in a number of respects. Shares of ETFs are traded by both institutional and retail investors on securities exchanges and in the over-the-counter markets at negotiated prices. ETFs are similar to index funds in that they are designed to replicate the holdings or correspond to the performance and yield of a reference securities index or a highly correlated subset of the securities underlying the index.

[13] Definitions are drawn from a variety of online dictionaries and reference sources.

Intermarket Trading System (***ITS***) is a computer system that interconnects competing exchange markets for the purpose of choosing the best market. The ITS is operated by the Securities Industry Automation Corporation (SIAC). The ITS Plan, originally approved by the SEC in 1979 and since amended, requires members of an exchange to avoid ***trade-throughs***. The current rules apply to exchange members and registered market makers who trade NYSE- and Amex-listed shares. There is no such rule with respect to the trading of NASDAQ securities.

Locked or ***crossed*** markets occur when the bid and offer quotes of a security are displayed at the same price, indicating either that one or the other's quote is not valid, that brokers are not diligently representing their clients, or that inefficiencies exist that deter trading with the quoting market. However, quotes also may lock because one or both quotes have an access fee attached, which increases the net price of trading with that quote, and creates an undisclosed spread. Quotes also may lock due to the different speeds of market centers.

NMS security is defined as any security or class of securities for which transaction reports are collected, processed, and made available pursuant to an effective transaction reporting plan, or an effective national market system plan for reporting transactions in listed options.

NMS stocks are defined as any ***NMS security*** other than an option or, in other words, stocks listed on a national securities exchange or stocks included in the National Market or SmallCap tiers of NASDAQ.

Protected quotations are defined in Reg NMS as automated quotations displayed by an automated trading center that are top-of-the book (best bid or offer, or BBO) of an exchange, The NASDAQ Stock Market, or an association other than The NASDAQ Stock Market (currently, the best bid or offer of the NASD's Alternative Display Facility.

Rule 610 of Reg NMS requires fair and non-discriminatory access to quotations, establishes a limit on access fees, and requires each national securities exchange and national securities association to adopt, maintain, and enforce written rules that prohibit their members from engaging in a pattern or practice of displaying quotes that ***lock*** or ***cross protected quotations***.

Rule 611 of Reg NMS requires trading centers to establish, maintain and enforce written policies and procedures reasonably designed to prevent the execution of trades at prices inferior to protected quotations displayed by other trading centers (***trade throughs***), subject to an applicable exception.

Self-Regulatory Organizations (***SROs***) are entities, such as the NASD or NYSE, responsible for regulating their members through the adoption and enforcement of rules and regulations governing the business conduct of its members.

Trading centers include national securities exchanges, exchange specialists, ***alternative trading systems*** (***ATSs***), OTC market makers, and block positioners.

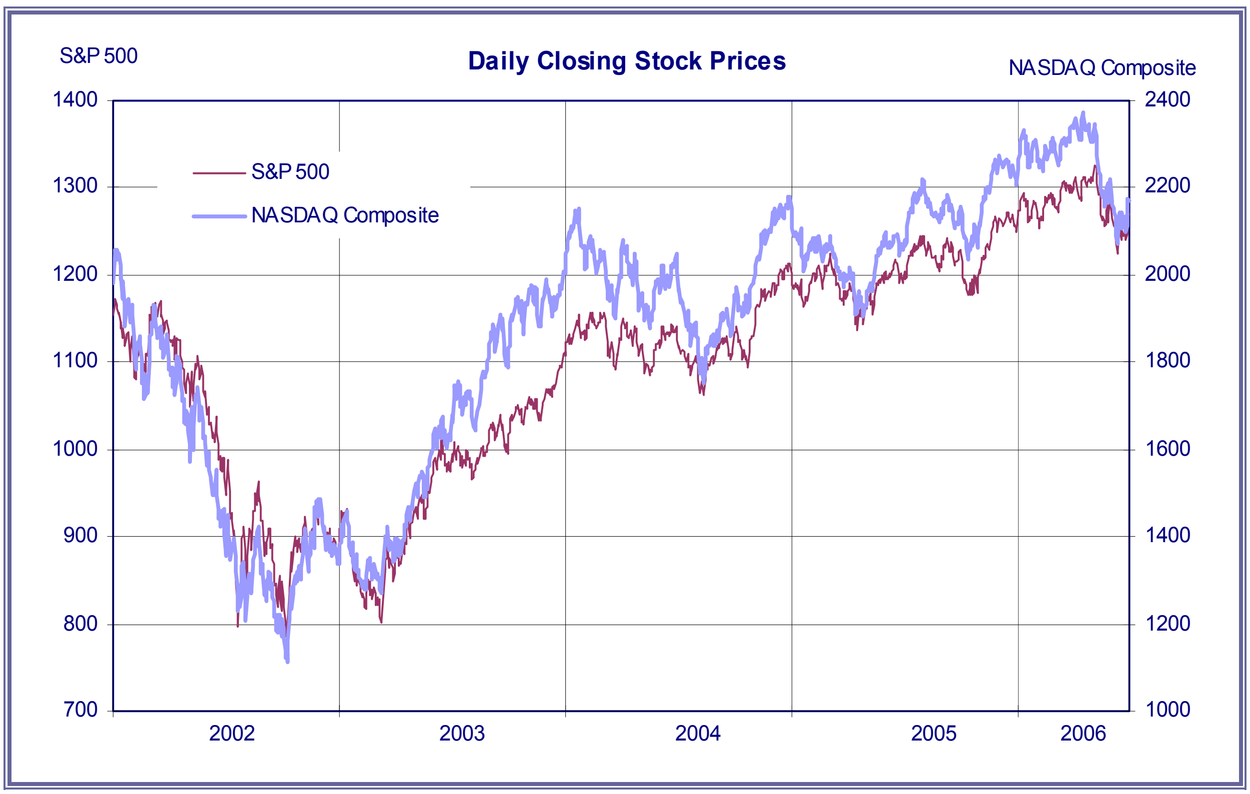
Trade-throughs are defined generally as the purchase or sale of a stock at a price that is lower than the best bid or higher than the best offer of any order execution facility that is disseminated pursuant to an effective national market system plan at the time the transaction was executed.

MONTHLY STATISTICAL REVIEW AND SECOND QUARTER WRAP-UP

U.S. Equity Market Activity

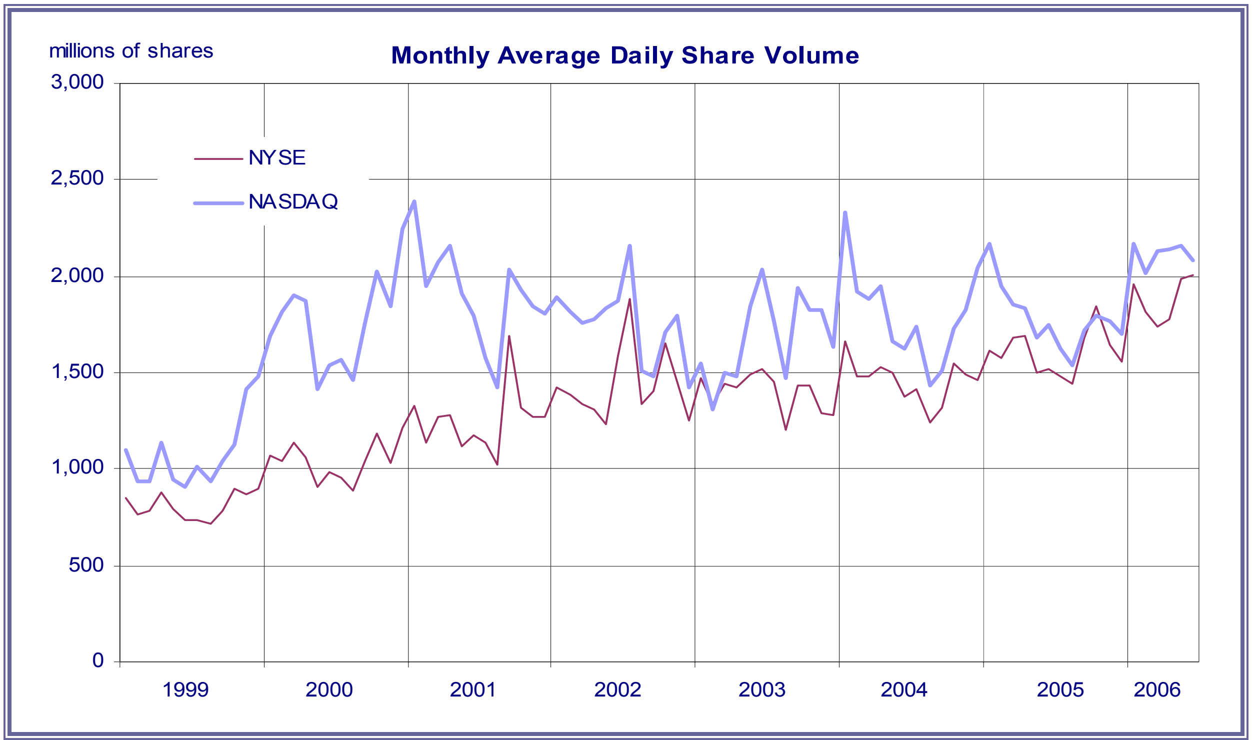
Stock Prices – After reaching year-to-date highs during the second week of May, most major stock indexes tumbled, not just in the U.S. but in most major foreign markets as well, and continued to sink in the following four weeks. For example, between May 8 and June 14, the S&P 500 Index fell 7.8%. It managed to retrace roughly half those declines by July 6, before renewed weakness materialized. The correction between mid-May and mid-June was the steepest drop since this bull market began in March 2003. The S&P 500 Index showed declines of lesser magnitude between February 12, 2004 and May 17, 2004 (down 5.8%) and between December 28, 2004 and April 20, 2005 (down 5.7%). Most other U.S. and non-U.S. equity market indexes showed similar declines. Stock prices in London and the EU fell about 7% and 8% respectively, and the Japanese market, which had showed renewed strength, dropped more than 10%, in tandem with U.S. markets.

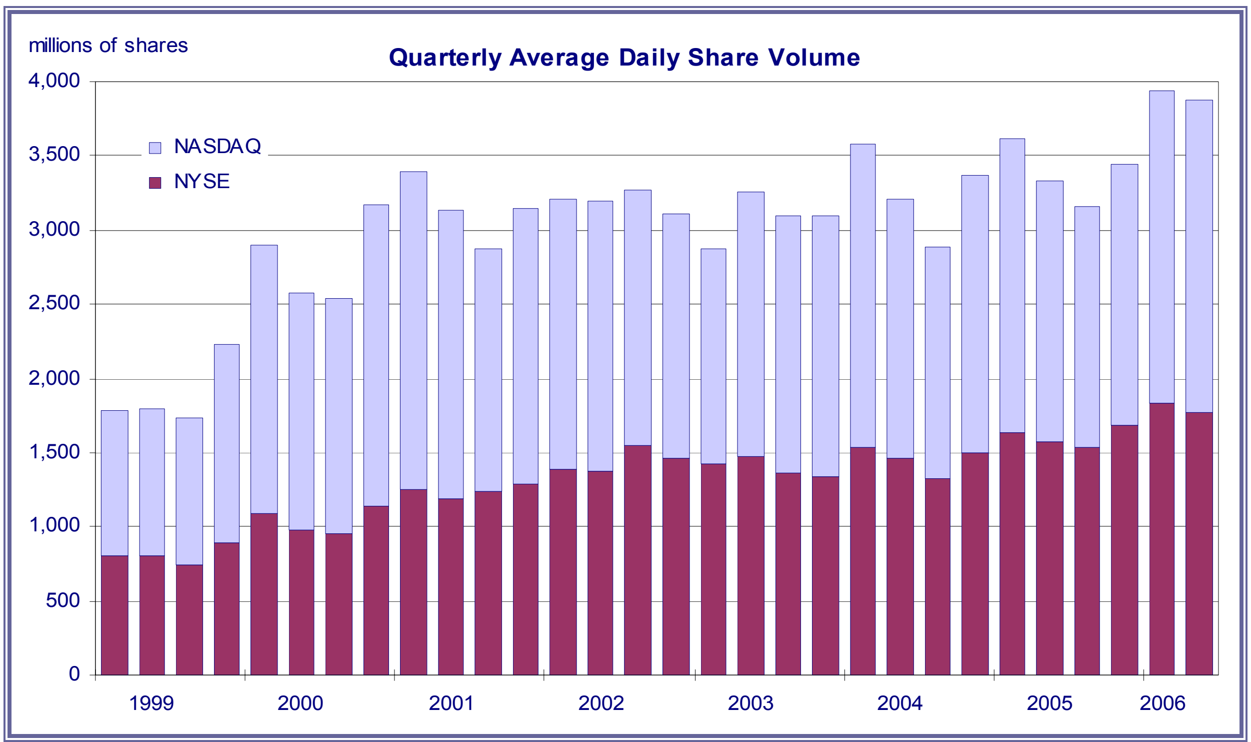
Many commentators attributed the decline to rising core inflation and inflationary expectations and anticipation of continued interest rate increases. Increasingly, investors have expressed concerns that the lagged effect of interest rate and oil price increases will reduce overall economic growth more substantially than earlier anticipated and erode strong growth of corporate profits.



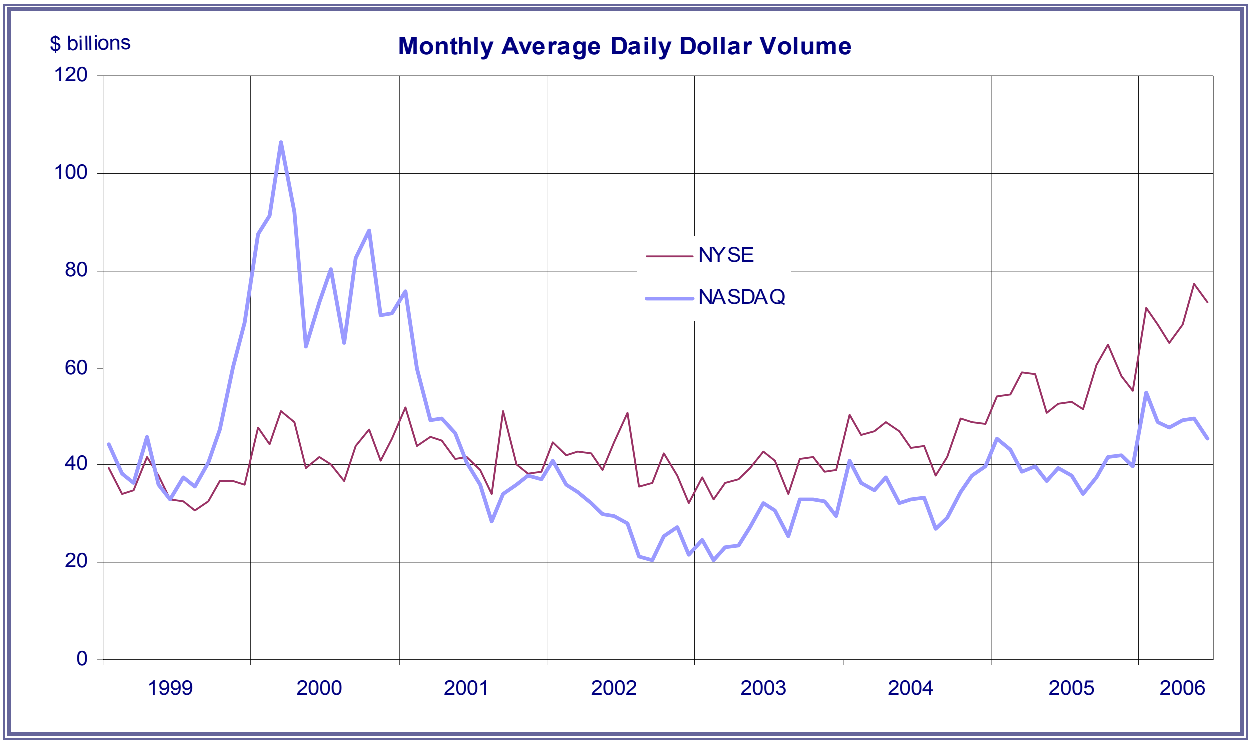
For the month of June, the Dow Jones Industrial Average (DJIA) was up 2.6% at 11,150.2, the S&P 500 Index was largely unchanged to reach 1,270.22 and the NASDAQ shed 0.3% to finish at 2,172.9. For the second quarter as a whole, the DJIA rose 0.4%, while the S&P 500 Index and the NASDAQ were down 1.9% and 7.2%, respectively. All of the major indices, however, remained in positive territory year-to-date. The DJIA was up 8.5%, the S&P 500 Index was up 6.6% and the NASDAQ 5.6% through the first half of 2006.

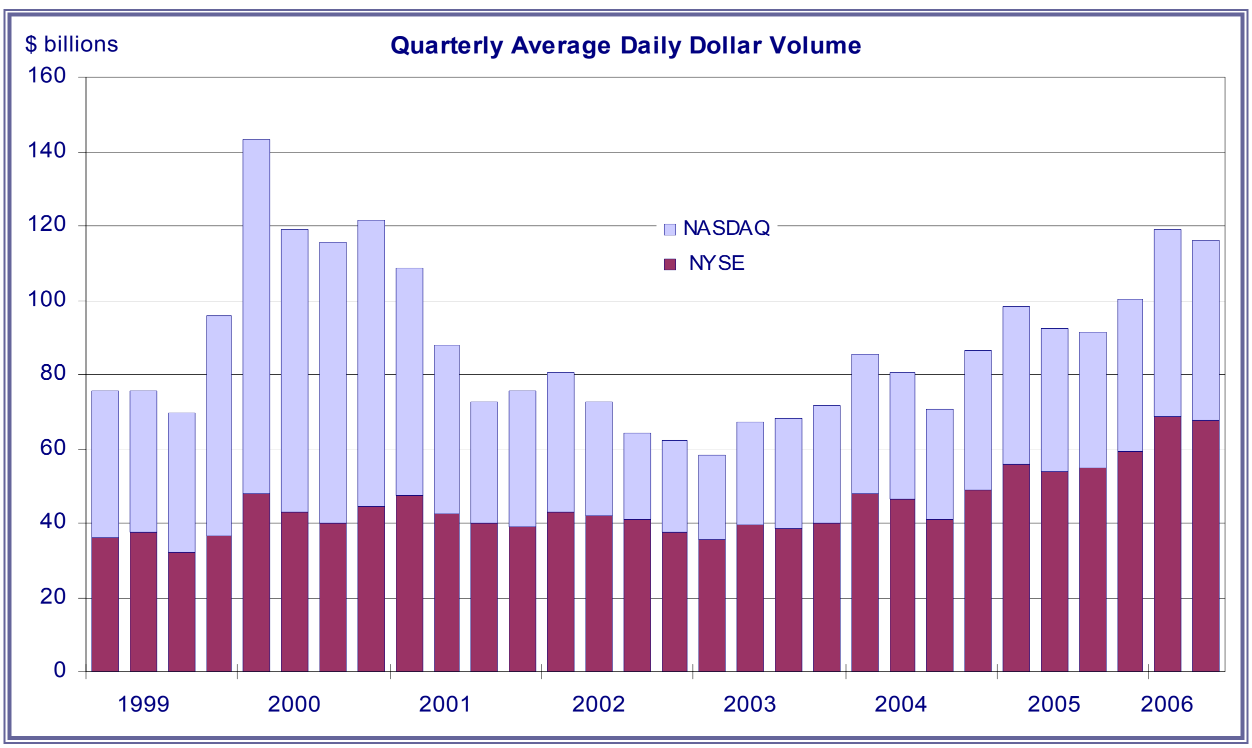
Share Volume – June marked the New York Stock Exchange's (NYSE) strongest month for average daily share volume this year, while the NASDAQ had its weakest since February. Average volume on the NYSE reached record levels for a second consecutive month, setting a new record of 2.06 billion shares per day, while the NASDAQ dipped 3.5 % from May levels to an average of 2.09 billion shares per day. Nevertheless, share volume for the second quarter as a whole was up on both markets, by 10.2% on the NYSE and by 2.7% on the NASDAQ. For the first half of 2006 NYSE average daily share volume was up 17.7% at 1.88 billion shares per day and on the NASDAQ share volume was up 13.4% to 2.12 billion shares per day.





Dollar Volume – The average daily value of trading in NYSE and NASDAQ stocks dipped in June by 4.9% and 8.5%, respectively, from May, largely reflecting lower average prices. The NYSE average daily dollar volume did not match May's record $77.3 billion, but reached a not-too-distant second-best level of $73.5 billion. The NASDAQ had its weakest month of 2006 at $45.6 billion in June. The NYSE's 2Q'06 average daily dollar volume of $73.5 billion was 11.8% above the 1Q'06 average, and 36.0% above the 2Q'05 average. Year-to-date, average daily dollar volume was $71.1 billion, 29.2% above the same year-earlier period. NASDAQ daily dollar volume averaged $49.2 billion year-to-date, up 21.8% from $40.4 billion in the comparable period last year, but still well below the record of $80.9 billion average daily pace set in 2000. In the 2Q'06, NASDAQ daily dollar volume averaged $48.1 billion, down 2.9% from the 1Q'06 level, but 24.8% higher than that in 2Q'05.

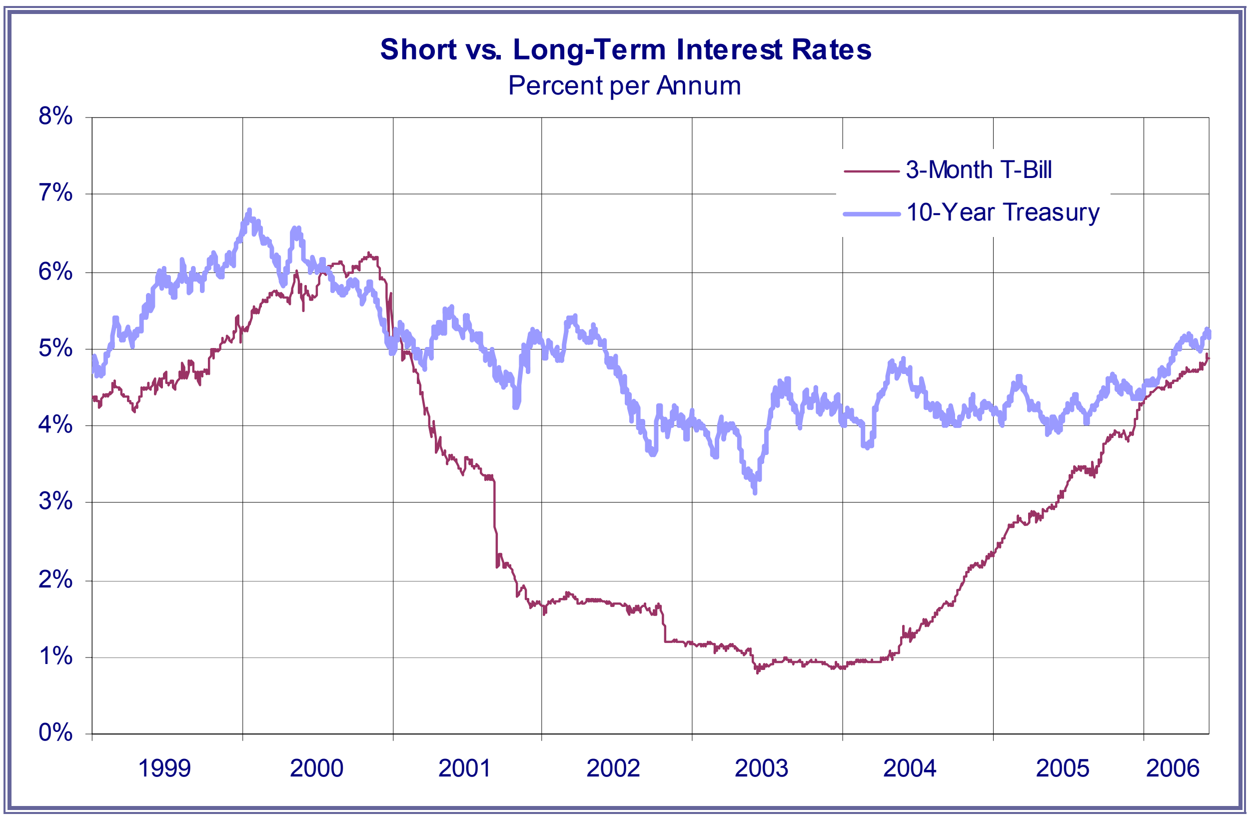




Interest Rates – The Federal Open Market Committee (FOMC) continued to raise rates when it announced its 17th consecutive increase in the federal funds rate to 5.25% p.a. on June 29. The FOMC stated that the extent and timing of any additional firming that may be needed would depend on the future evolution of both inflation and economic growth. Increasingly, market participants anticipate an 18th consecutive quarter-point increase when the FOMC next meets on August 8.

Long-term Treasury yields, which have continued to move higher since last year, paused in June, averaging 5.11% p.a., unchanged from May. The average 10-year Treasury yield was 4.82% p.a. during the first half of 2006, up 14% from the same year-earlier period. The 3-month T-Bill rate was 4.79% p.a. in June, up from 4.72% p.a. in May. For the first half of the year, the 3-month T-Bill averaged 4.55% p.a., up 68.7% from the 2.7% p.a. average in the same year-earlier period.

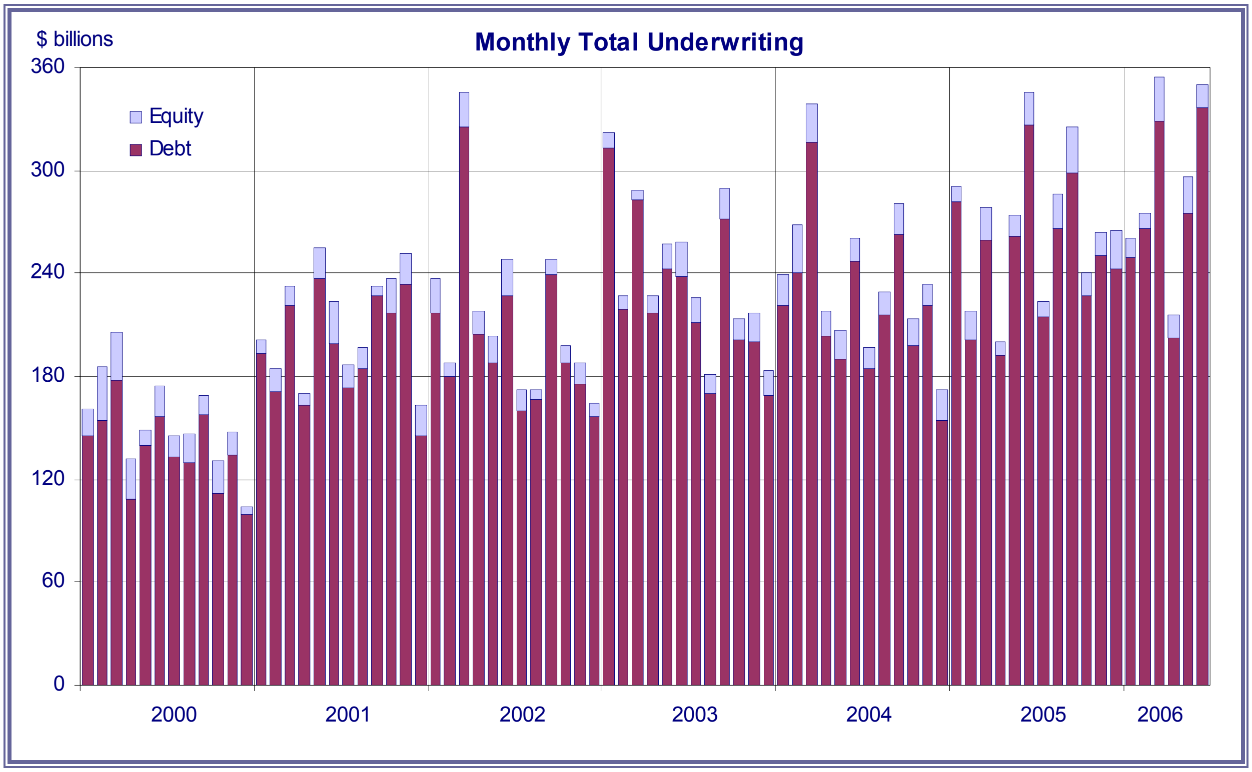
As a result the spread between the 3-month and 10-year rates narrowed in June to 32 basis points (bps). Year-to-date the spread was 27 bps, down 82.3% from the same year-earlier period. For the 2Q'06 the spread was 37 bps, more than double the 18 bps recorded in the 1Q'06, but 71.9% below that of the 2Q'05.

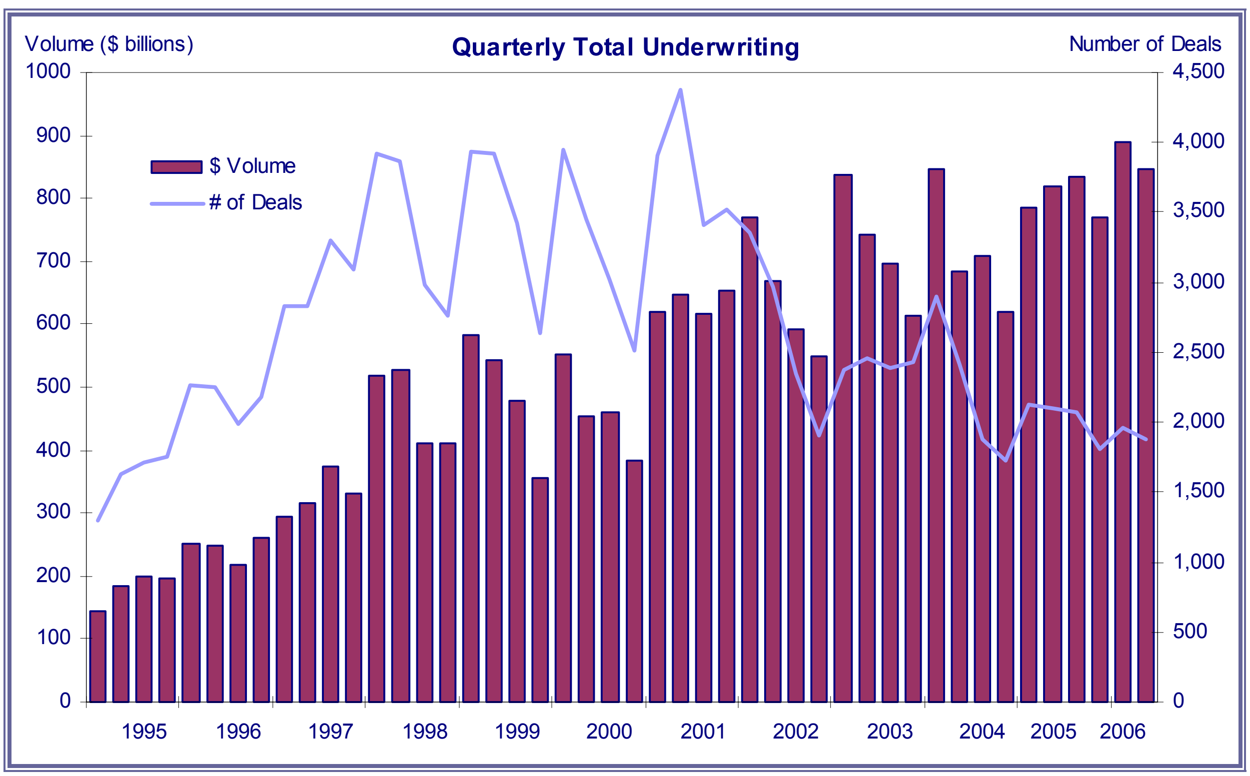


As July opened, investors once more expected "one and done" (a final quarter-point increase in policy rates on August 8, before the Fed "pauses" in its two-year tightening cycle). This led some major bond fund managers to declare the "bear market" in bonds had ended. However, the bears may simply be hibernating and a bull market is unlikely to begin before the Fed cuts rates. Historically, the Fed starts cutting rates 7.3 months after the end of a tightening cycle. If, as expected, August 8 is the last interest rate hike, then cuts might begin in mid-March 2007.

U.S. Underwriting Activity

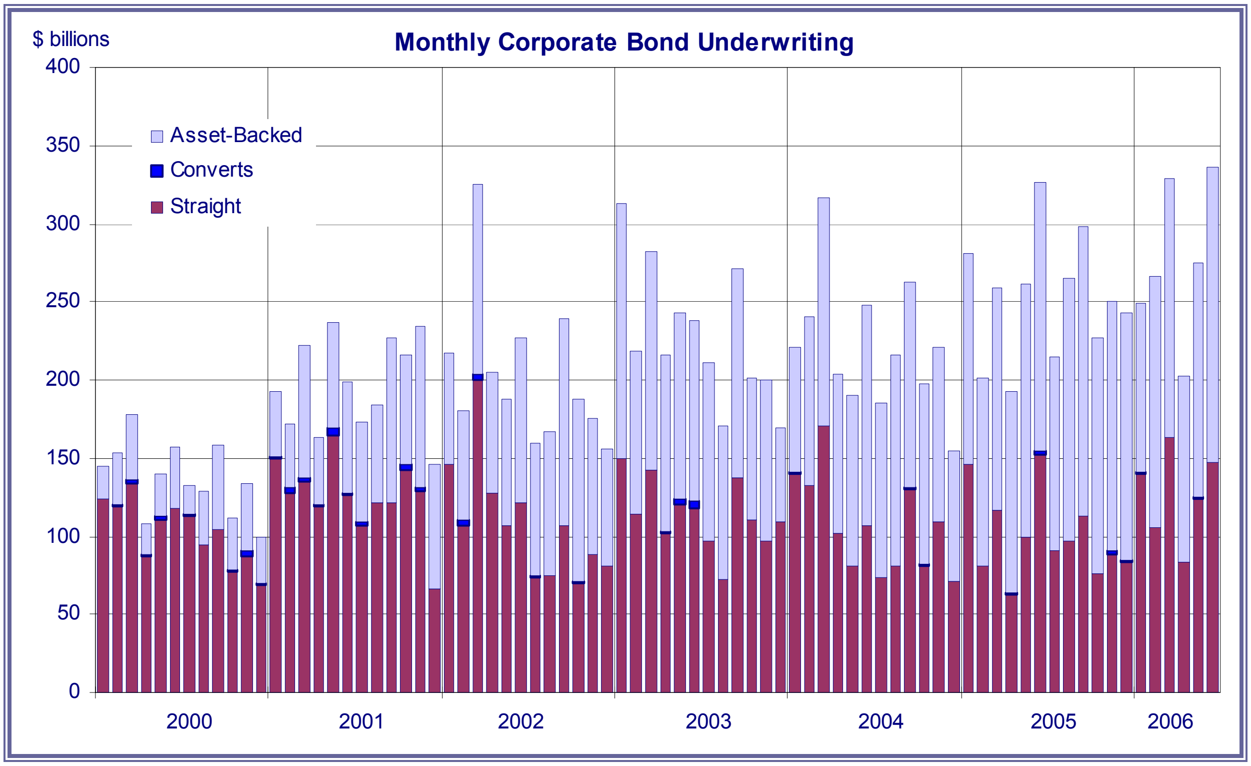
Total underwriting activity in the U.S. market continued to grow, rising 18.1% in June to reach $349.8 billion. For the second quarter as a whole, underwriting activity totaled $861.0 billion, down 3.3% from the all-time record $890.6 billion in the previous quarter, but 5.0% above the same year-earlier period.

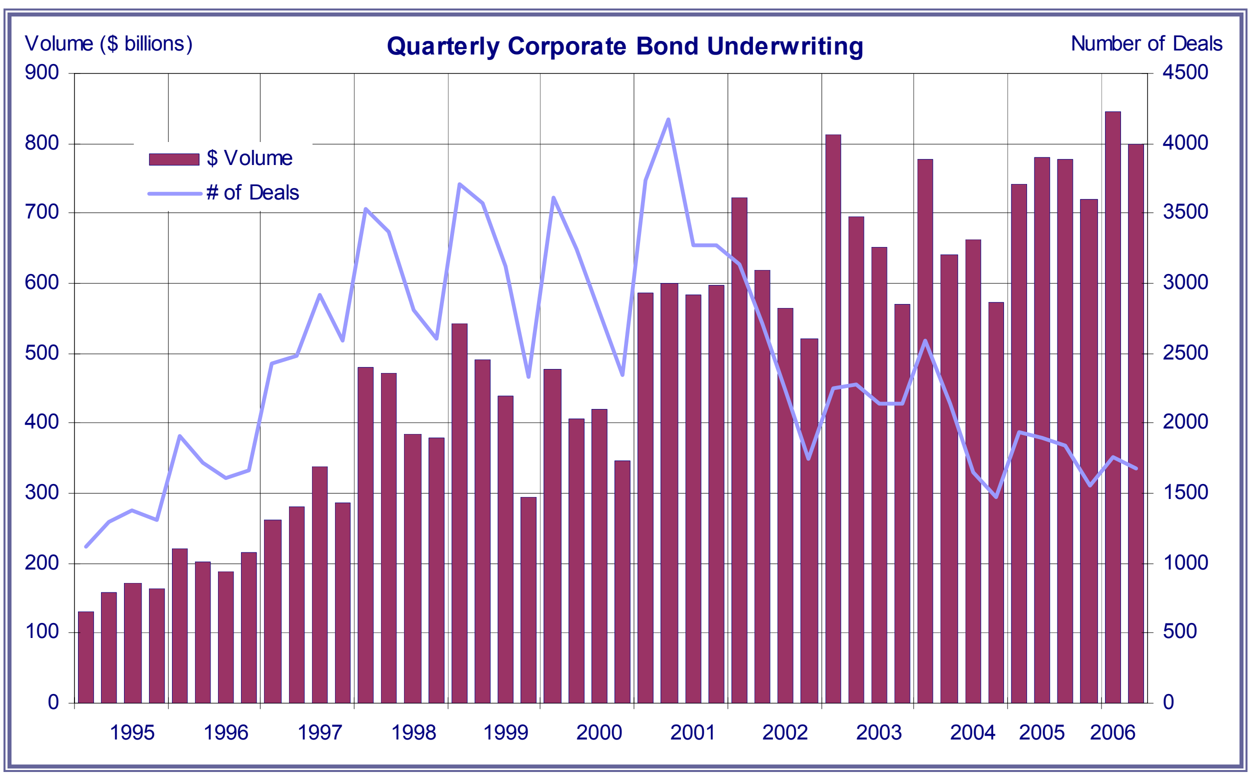




Source: Thomson Financial

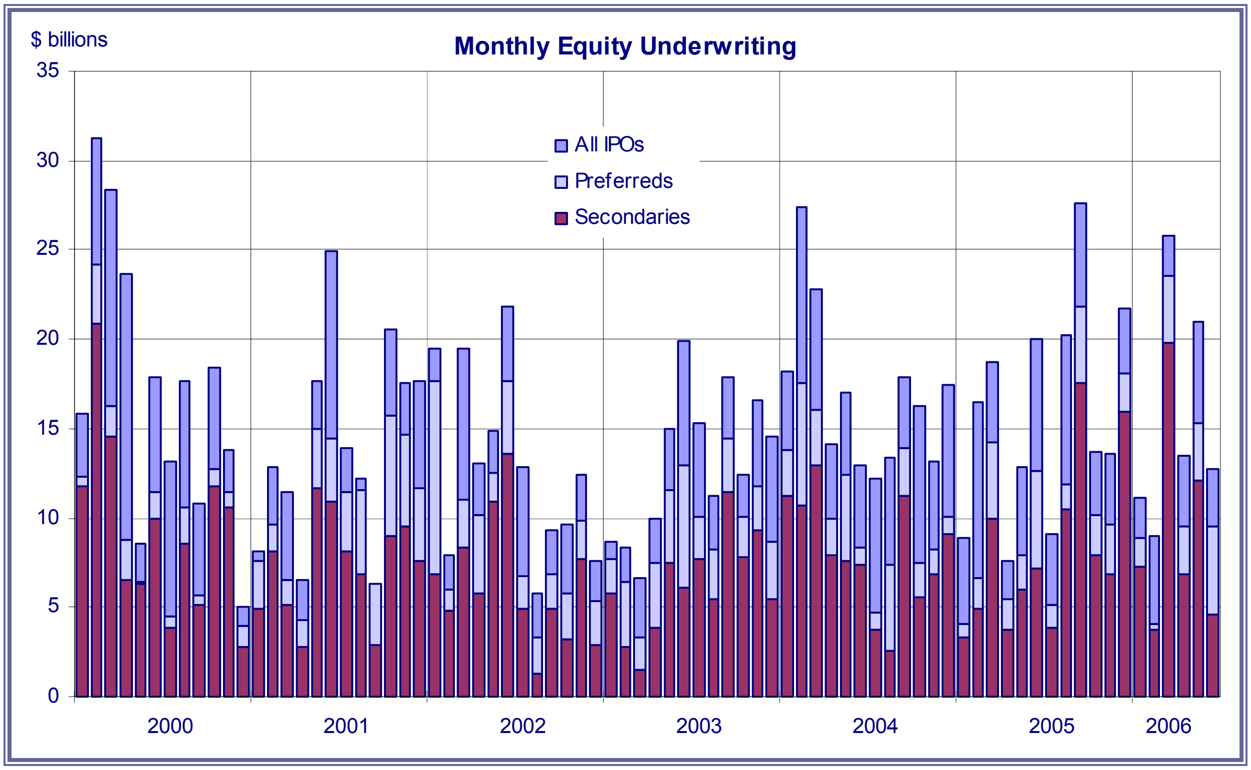
Corporate Bond Underwriting – Total new corporate bond issuance rose 22.5% for the month, with asset-backed issues leading the way with a 26.2% increase. For the quarter, straight debt issuance declined by 13.3%, while asset-backed offerings rose 5.6% from the last quarter. In the first half of the year, corporate bond issuance was 9.0% greater than that in the same year-earlier period.

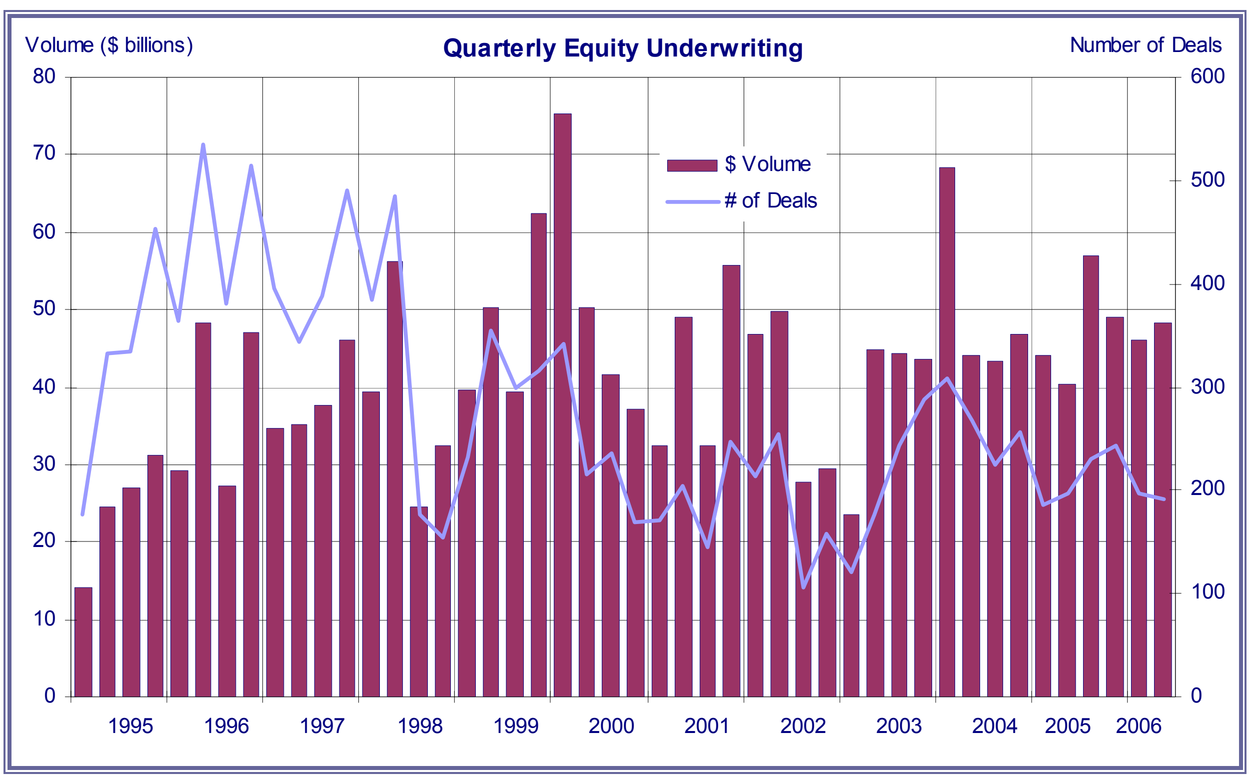




Source: Thomson Financial

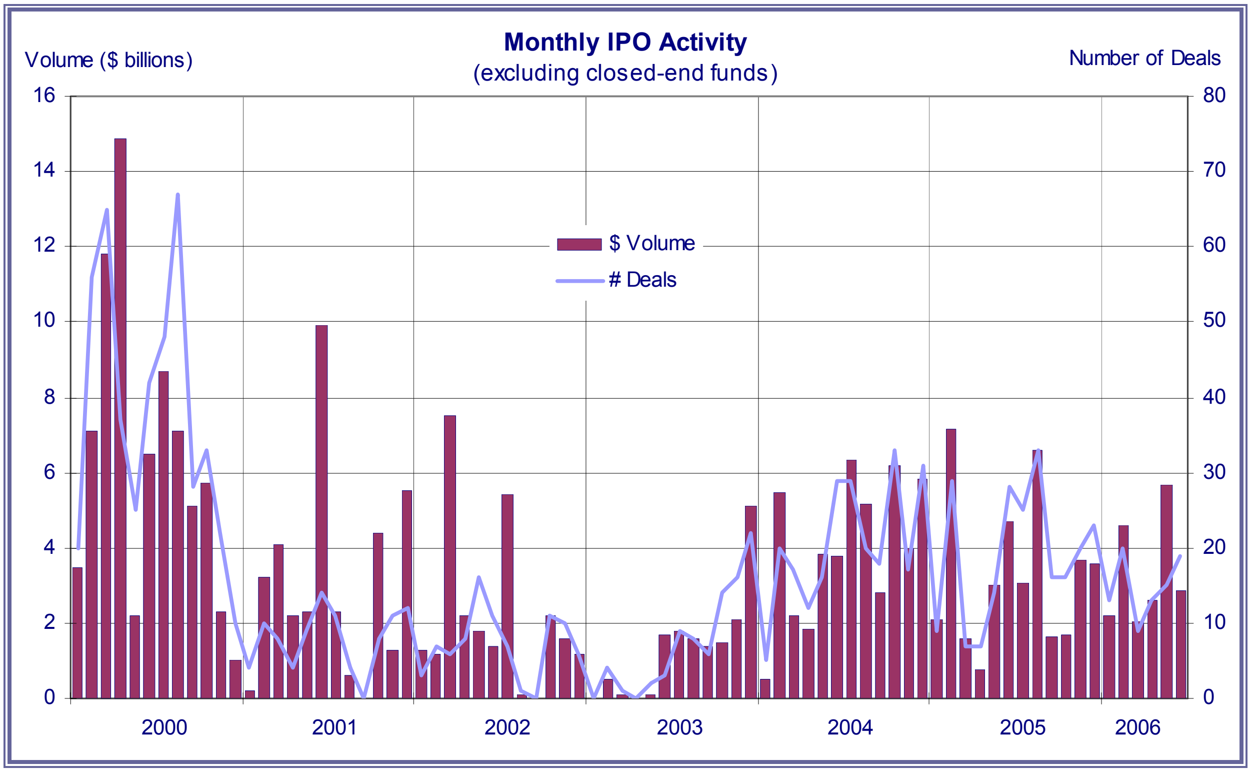
Equity Underwriting – Overall issuance volume of common and preferred stock declined by 39.2% in June to $12.8 billion, after a strong result of $21.0 billion in May. For the quarter as a whole, total equity issuance rose 2.6% from the previous quarter, while rising 16.6% over 2Q'05. Year-to-date equity issuance totaled $93.2 billion, 10.4% above the first half result in 2005.

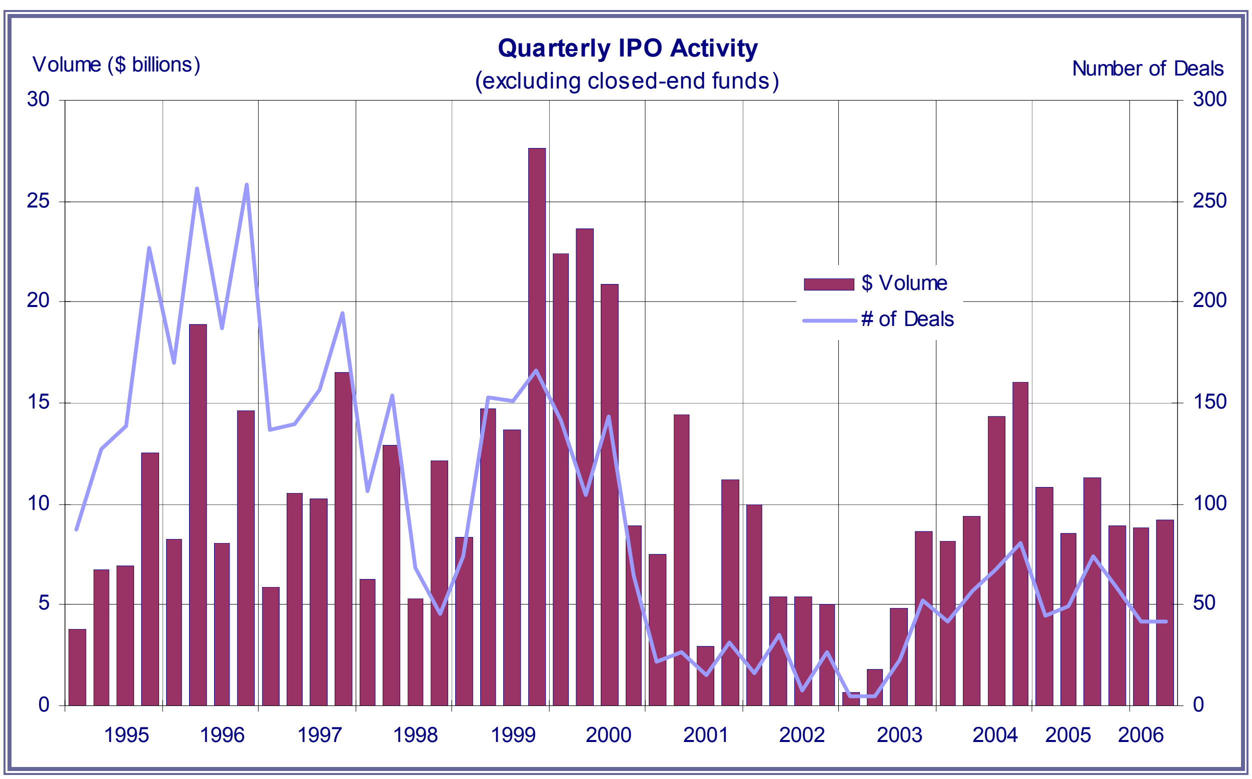




Source: Thomson Financial

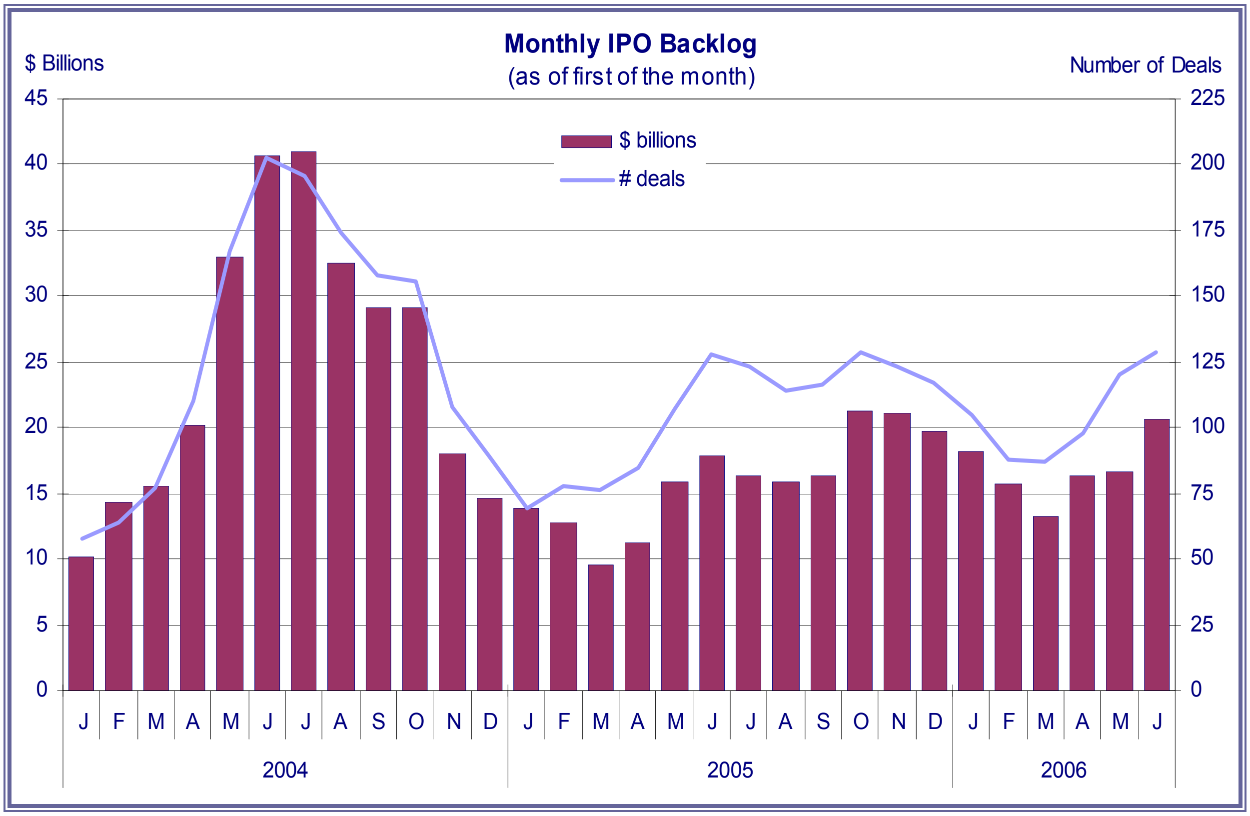
Initial Public Offerings (***IPOs***) – U.S. IPO activity dropped in June, falling 43% on the month to $3.2 billion, after rising in April and May to reach $4.0 billion and $5.7 billion, respectively. For the full second quarter, IPO volume totaled $12.9 billion, up 35.2% from the first quarter, but down 10.6% compared to the 2Q'05. During the first half of 2006, U.S. IPO volume reached $22.4 billion, 33.2% lower than the same year-earlier period.





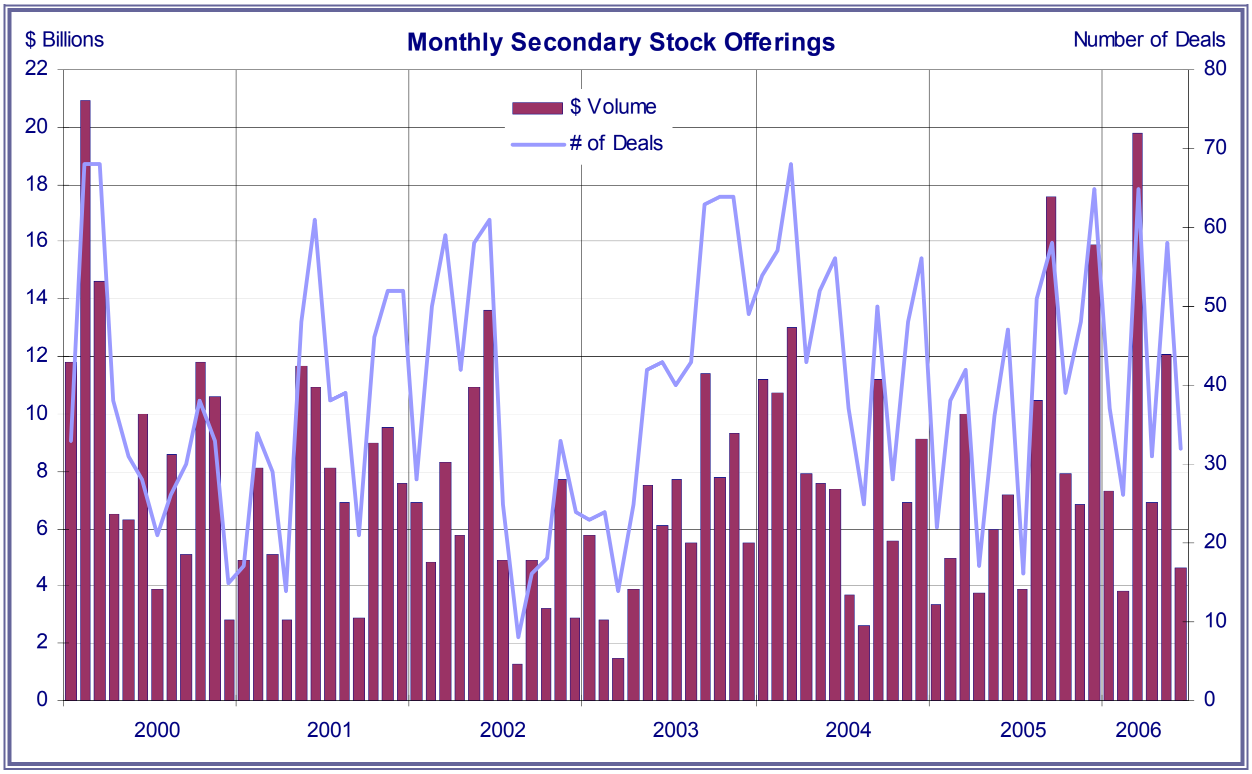
Source: Thomson Financial

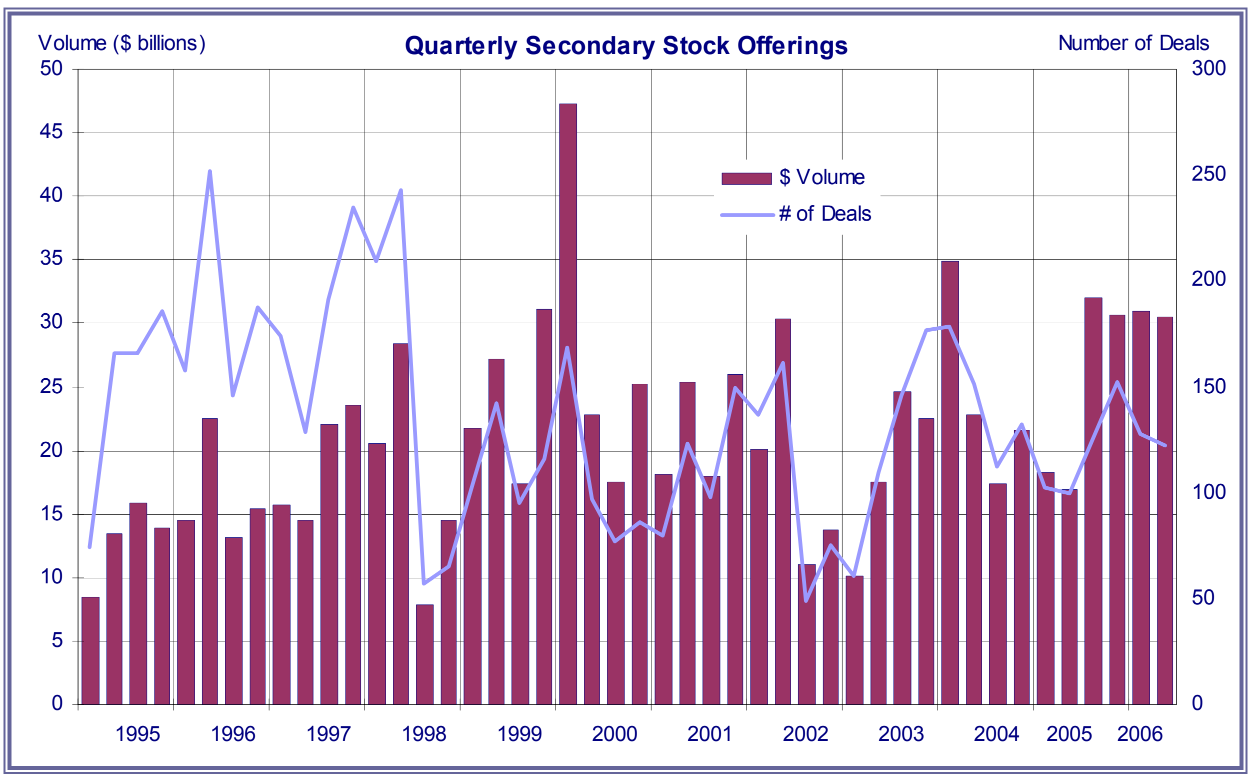
The backlog of filed U.S. IPOs increased once again in June to $20.68 billion, up 23.9% from May, on 129 deals.



Source: Dealogic

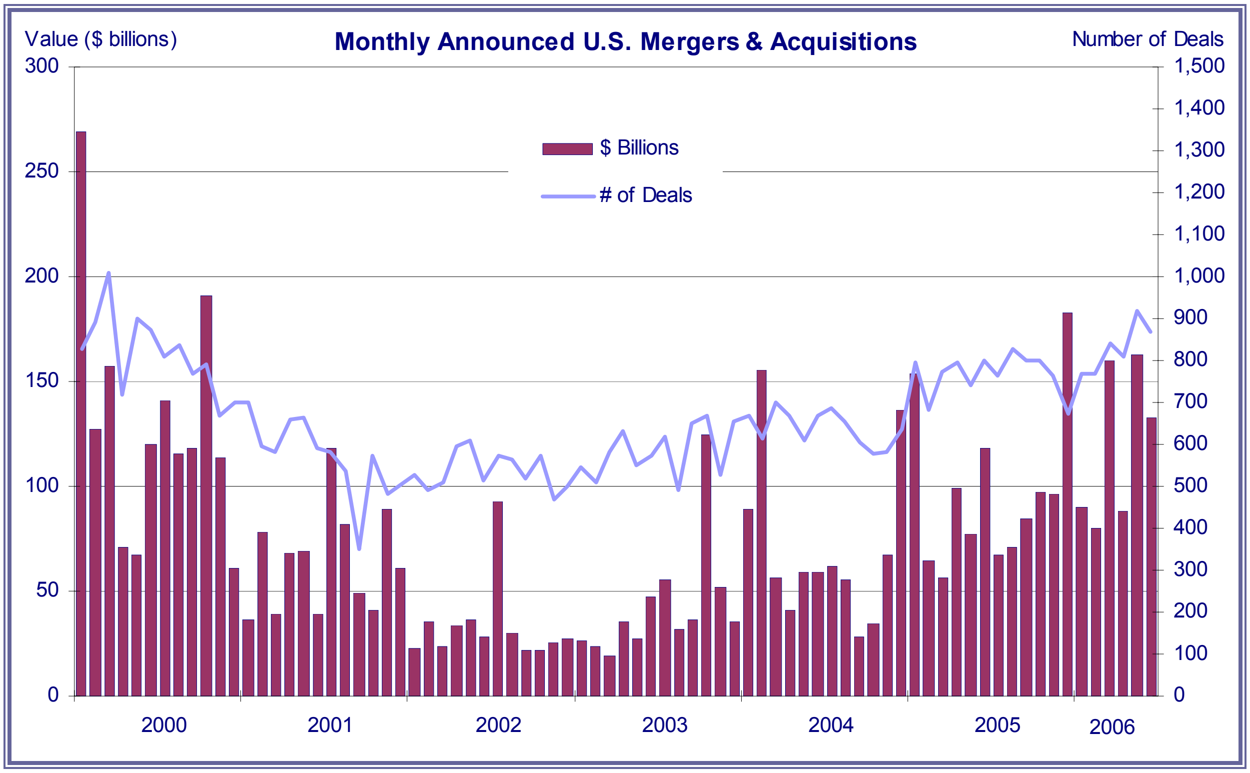
Secondary Offerings of Common Stock – U.S. secondary offerings dropped sharply in June to $4.6 billion, down 61.7% from May. Consequently, total volume for the second quarter, $23.6 billion, was down 23.7% from the first quarter, although 39.3% higher than 2Q'05. For the year-to-date, secondary offerings totaled $64.5 billion, up 54.8% above the same year-earlier period.

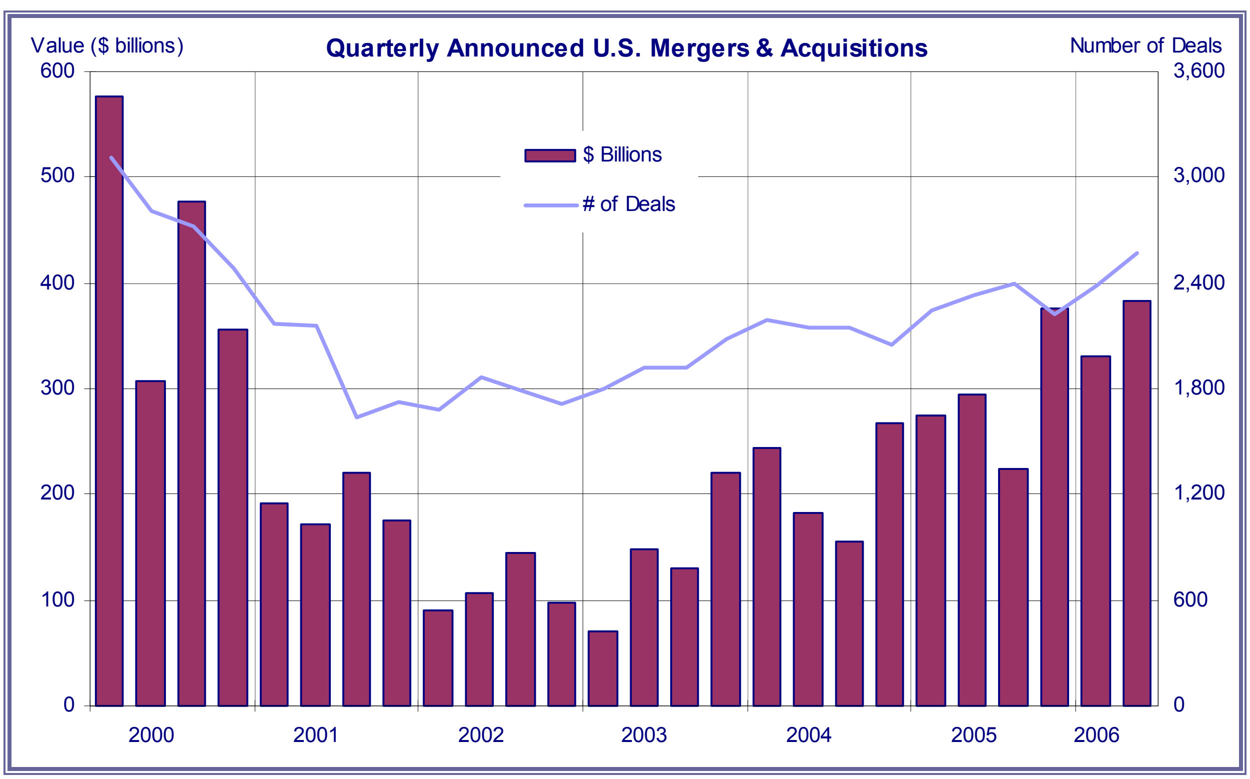




Source: Thomson Financial

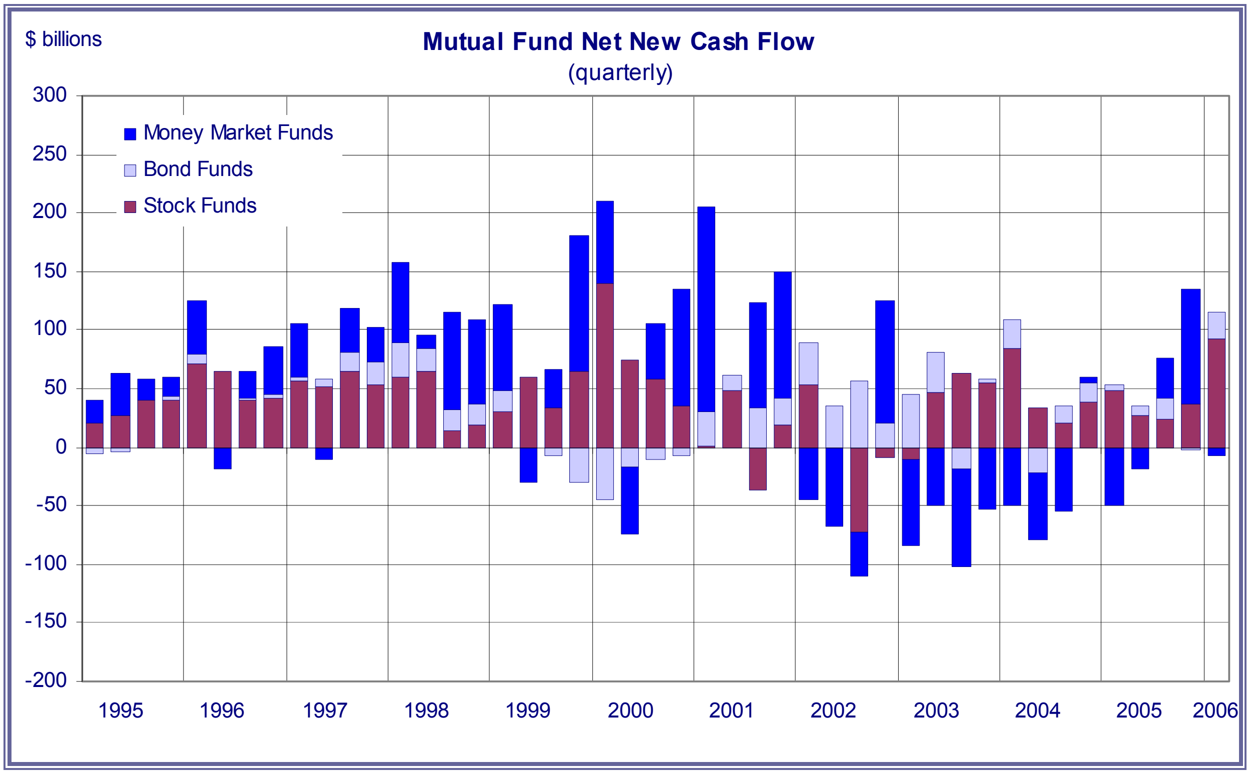
Mergers & Acquisition (*M&As*) – U.S. M&A activity declined in June in terms of announced deals, which fell both in number and size of deals, down 18.2% and 5.8%, respectively, from May. Nevertheless, for the second quarter as a whole, announced deals reached their highest quarterly levels since 2000. In 2Q'06 the total value of announced deals increased 15.9% over 1Q'06 and year-to-date was up 25.4% above the same year-earlier period. The number of deals also rose, although not as rapidly, with an 8.1% increase on the quarter, and for the first half, an increase of 8.2% over the same period in 2005.





Source: Thomson Financial

Mutual Funds – Total mutual fund assets grew to $9.3 trillion in May, down 1.8% from April but 14.7% above the May 2005 level. Performance was mixed with equity, bond and hybrid funds down 3.9%, 1.8% and 0.2%, respectively, while money market mutual fund assets rose 2.7%. Net new cash flows into mutual funds were strong in May, with almost all inflows coming into money market funds. For the year through end May, total net new flows were $160.1 billion, over 500% greater than in the same year-earlier period.



Source: Investment Company Institute

Charles M. Bartlett, Jr.
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
2003	1,370.7	10.6	1,352.3	2,733.6	118.5	37.8	156.3	43.7	15.9	74.8	2,889.9
2004	1,278.4	5.5	1,372.3	2,656.2	169.6	33.2	202.7	72.8	47.9	96.7	2,859.0
2005	1,205.4	6.3	1,808.6	3,020.3	160.5	29.9	190.4	62.6	39.6	97.8	3,210.7
2005											
Jan	145.6	0.2	135.5	281.3	8.2	0.7	8.9	4.9	2.1	3.3	290.2
Feb	80.5	0.0	121.2	201.7	14.8	1.7	16.4	9.8	7.1	5.0	218.2
Mar	116.0	0.5	142.8	259.3	14.4	4.3	18.7	4.4	1.6	10.0	278.0
Apr	62.5	0.8	129.3	192.5	6.0	1.6	7.6	2.2	0.8	3.8	200.2
May	98.9	0.0	162.5	261.4	10.8	2.0	12.8	4.9	3.0	6.0	274.2
June	152.5	2.0	171.4	325.9	14.5	5.5	20.0	7.3	4.7	7.1	345.9
July	90.9	0.0	123.8	214.7	7.8	1.3	9.1	3.9	3.1	3.9	223.8
Aug	97.3	0.0	168.3	265.6	18.8	1.4	20.2	8.3	6.6	10.5	285.8
Sept	112.8	0.0	185.2	298.0	23.4	4.2	27.6	5.8	1.6	17.6	325.7
Oct	75.9	0.0	150.8	226.7	11.4	2.2	13.7	3.5	1.7	7.9	240.4
Nov	88.9	1.6	159.7	250.3	10.8	2.8	13.6	4.0	3.7	6.8	263.9
Dec	83.5	1.2	158.0	242.8	19.5	2.2	21.7	3.6	3.6	15.9	264.5
2006											
Jan	139.8	1.6	107.6	249.0	9.6	1.6	11.2	2.3	2.2	7.3	260.2
Feb	105.4	0.0	161.2	266.6	8.8	0.2	9.0	5.0	4.6	3.8	275.6
Mar	162.8	1.0	165.3	329.1	22.1	3.7	25.8	2.3	2.0	19.8	354.9
Apr	83.5	0.0	119.3	202.8	10.8	2.6	13.4	4.0	2.6	6.9	216.3
May	123.3	1.7	149.8	274.8	17.7	3.3	21.0	5.7	5.7	12.1	295.8
June	146.7	0.8	189.1	336.6	7.9	4.9	12.8	3.2	2.9	4.6	349.4
July											
Aug											
Sept											
Oct											
Nov											
Dec											
YTD '05	656.0	3.5	862.7	1,522.2	68.7	15.7	84.4	33.5	19.4	35.2	1,606.7
YTD '06	761.5	5.1	892.3	1,658.9	76.8	16.3	93.2	22.4	19.9	54.5	1,752.1
% Change	16.1%	45.1%	3.4%	9.0%	11.9%	3.9%	10.4%	-33.2%	3.1%	54.8%	9.1%

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
2003	21.1	215.8	236.9	54.7	87.7	142.4	379.3	1.01	4.02	3.00
2004	17.2	209.8	227.1	51.5	77.7	129.2	356.3	1.37	4.27	2.90
2005	20.5	240.9	261.4	55.9	89.1	145.0	406.4	3.15	4.29	1.15
2005										
Jan	1.0	11.7	12.7	3.6	6.6	10.2	22.8	2.33	4.22	1.89
Feb	1.5	15.6	17.1	4.5	9.2	13.6	30.7	2.54	4.17	1.63
Mar	1.2	24.1	25.3	7.2	12.5	19.7	45.0	2.74	4.50	1.76
Apr	1.9	16.4	18.2	5.1	7.9	13.0	31.3	2.76	4.34	1.58
May	1.3	20.8	22.1	4.1	9.5	13.6	35.7	2.84	4.14	1.30
June	2.4	25.2	27.6	7.1	9.4	16.5	44.1	2.97	4.00	1.03
July	1.5	21.8	23.3	3.8	6.8	10.5	33.8	3.22	4.18	0.96
Aug	1.3	21.7	23.0	4.3	6.8	11.1	34.1	3.44	4.26	0.82
Sept	2.5	17.2	19.7	4.9	6.7	11.7	31.4	3.42	4.20	0.78
Oct	2.9	18.8	21.7	2.4	3.4	5.8	27.4	3.71	4.46	0.75
Nov	2.3	26.1	28.4	5.1	5.1	10.3	38.7	3.88	4.54	0.66
Dec	0.8	21.5	22.3	3.8	5.2	9.0	31.3	3.89	4.47	0.58
2006										
Jan	0.7	10.5	11.3	3.4	3.9	7.4	18.6	4.24	4.42	0.18
Feb	1.6	12.2	13.8	3.2	5.9	9.1	22.9	4.43	4.57	0.14
Mar	1.1	16.4	17.5	4.2	5.4	9.6	27.1	4.51	4.72	0.21
Apr	2.2	20.1	22.3	2.8	4.2	6.9	29.2	4.60	4.99	0.39
May	2.6	22.1	24.7	3.9	5.8	9.6	34.4	4.72	5.11	0.39
June	2.8	30.2	33.0	4.8	7.3	12.0	45.0	4.79	5.11	0.32
July										
Aug										
Sept										
Oct										
Nov										
Dec										
YTD '05	9.2	113.8	123.0	31.5	55.1	86.7	209.7	2.70	4.23	1.53
YTD '06	11.0	111.6	122.6	22.4	32.4	54.8	177.3	4.55	4.82	0.27
% Change	19.9%	-2.0%	-0.3%	-29.1%	-41.2%	-36.8%	-15.4%	68.7%	14.0%	-82.3%

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
2003	10,453.92	1,111.92	6,440.30	2,003.37	1,398.4	67.1	1,685.5	38.5	28.0
2004	10,783.01	1,211.92	7,250.06	2,175.44	1,456.7	66.0	1,801.3	46.1	34.6
2005	10,717.50	1,248.29	7,753.95	2,205.32	1,602.2	63.5	1,778.5	56.1	39.5
2005									
Jan	10,489.94	1,181.27	7,089.83	2,062.41	1,618.4	62.5	2,172.3	54.1	45.5
Feb	10,766.23	1,203.60	7,321.23	2,051.72	1,578.2	62.7	1,950.2	54.5	43.2
Mar	10,503.76	1,180.59	7,167.53	1,999.23	1,682.6	66.7	1,849.0	59.1	38.8
Apr	10,192.51	1,156.85	7,008.32	1,921.65	1,692.8	61.7	1,839.2	58.8	39.6
May	10,467.48	1,191.50	7,134.33	2,068.22	1,502.1	52.9	1,685.6	50.8	36.6
June	10,274.97	1,191.33	7,217.78	2,056.96	1,515.8	58.0	1,747.9	52.5	39.4
July	10,640.91	1,234.18	7,476.66	2,184.83	1,478.9	58.8	1,621.8	53.1	37.8
Aug	10,481.60	1,220.33	7,496.09	2,152.09	1,441.4	61.9	1,538.9	51.3	34.1
Sept	10,568.70	1,228.81	7,632.98	2,151.69	1,683.0	70.5	1,716.5	60.6	37.5
Oct	10,440.07	1,207.01	7,433.12	2,120.30	1,846.7	72.7	1,796.3	64.6	41.7
Nov	10,805.87	1,249.48	7,645.28	2,232.82	1,641.7	64.6	1,768.3	58.3	41.9
Dec	10,717.50	1,248.29	7,753.95	2,205.32	1,553.5	69.6	1,704.4	55.2	39.6
2006									
Jan	10,864.86	1,280.08	8,106.55	2,305.82	1,956.9	81.4	2,170.7	72.4	55.0
Feb	10,993.41	1,280.66	8,060.61	2,281.39	1,815.2	77.4	2,014.0	68.8	48.8
Mar	11,109.32	1,294.83	8,233.20	2,339.79	1,740.3	75.0	2,135.2	65.2	47.6
Apr	11,367.14	1,310.61	8,471.43	2,322.57	1,775.5	92.0	2,138.7	69.0	49.3
May	11,168.31	1,270.09	8,189.11	2,178.88	1,986.9	92.5	2,163.6	77.3	49.6
June	11,150.22	1,270.20	8,169.07	2,172.09	2,006.2	82.3	2,087.4	73.5	45.6
July									
Aug									
Sept									
Oct									
Nov									
Dec									
YTD '05	10,274.97	1,191.33	7,217.78	2,056.96	1,598.5	60.7	1,869.2	55.0	40.4
YTD '06	11,150.22	1,270.20	8,169.07	2,172.09	1,881.9	83.4	2,119.5	71.1	49.2
% Change	8.5%	6.6%	13.2%	5.6%	17.7%	37.3%	13.4%	29.2%	21.8%

	MUTUAL FUND ASSETS ($ Billions)					MUTUAL FUND NET NEW CASH FLOW* ($ Billions)					
	Equity	Hybrid	Bond	Money Market	**TOTAL ASSETS**	Equity	Hybrid	Bond	Money Market	**TOTAL**	Total Long-Term Funds
1985	116.9	12.0	122.6	243.8	495.4	8.5	1.9	63.2	-5.4	68.2	73.6
1986	161.4	18.8	243.3	292.2	715.7	21.7	5.6	102.6	33.9	163.8	129.9
1987	180.5	24.2	248.4	316.1	769.2	19.0	4.0	6.8	10.2	40.0	29.8
1988	194.7	21.1	255.7	338.0	809.4	-16.1	-2.5	-4.5	0.1	-23.0	-23.1
1989	248.8	31.8	271.9	428.1	980.7	5.8	4.2	-1.2	64.1	72.8	8.8
1990	239.5	36.1	291.3	498.3	1,065.2	12.8	2.2	6.2	23.2	44.4	21.2
1991	404.7	52.2	393.8	542.5	1,393.2	39.4	8.0	58.9	5.5	111.8	106.3
1992	514.1	78.0	504.2	546.2	1,642.5	78.9	21.8	71.0	-16.3	155.4	171.7
1993	740.7	144.5	619.5	565.3	2,070.0	129.4	39.4	73.3	-14.1	228.0	242.1
1994	852.8	164.5	527.1	611.0	2,155.4	118.9	20.9	-64.6	8.8	84.1	75.2
1995	1,249.1	210.5	598.9	753.0	2,811.5	127.6	5.3	-10.5	89.4	211.8	122.4
1996	1,726.1	252.9	645.4	901.8	3,526.3	216.9	12.3	2.8	89.4	321.3	232.0
1997	2,368.0	317.1	724.2	1,058.9	4,468.2	227.1	16.5	28.4	102.1	374.1	272.0
1998	2,978.2	364.7	830.6	1,351.7	5,525.2	157.0	10.2	74.6	235.3	477.1	241.8
1999	4,041.9	383.2	808.1	1,613.1	6,846.3	187.7	-12.4	-5.5	193.6	363.4	169.8
2000	3,962.0	346.3	811.1	1,845.2	6,964.7	309.4	-30.7	-49.8	159.6	388.6	228.9
2001	3,418.2	346.3	925.1	2,285.3	6,975.0	31.9	9.5	87.7	375.6	504.8	129.2
2002	2,667.0	327.4	1,124.9	2,272.0	6,391.3	-27.7	8.6	140.3	-46.7	74.5	121.2
2003	3,684.8	436.7	1,240.9	2,051.7	7,414.1	152.3	32.6	31.0	-258.5	-42.6	215.8
2004	4,384.0	519.3	1,290.4	1,913.2	8,106.9	177.9	42.7	-10.8	-156.6	53.2	209.8
2005	4,940.0	567.3	1,357.4	2,040.5	8,905.2	135.5	25.2	31.3	63.1	255.2	192.0
2005											
Jan	4,288.7	515.7	1,302.6	1,892.5	7,999.5	10.1	5.0	4.7	-27.5	-7.8	19.7
Feb	4,416.3	528.9	1,305.3	1,875.4	8,125.8	22.1	4.4	2.6	-19.3	9.8	29.1
Mar	4,349.6	525.4	1,295.7	1,875.7	8,046.4	15.3	3.9	-1.3	-2.2	15.7	17.9
Apr	4,246.8	522.6	1,306.8	1,841.3	7,917.6	8.5	2.6	1.2	-36.7	-24.4	12.3
May	4,407.3	534.7	1,323.4	1,858.4	8,123.7	11.8	2.2	4.0	14.5	32.5	18.0
June	4,472.1	543.9	1,336.4	1,865.4	8,217.7	6.3	2.0	4.1	3.0	15.4	12.4
July	4,670.3	554.6	1,339.4	1,883.9	8,448.3	9.9	1.4	7.4	13.9	32.5	18.6
Aug	4,678.6	557.5	1,360.6	1,922.9	8,519.7	6.4	1.8	7.4	32.5	48.0	15.5
Sept	4,759.5	560.8	1,356.3	1,912.6	8,589.2	7.8	1.3	3.8	-13.4	-0.4	13.0
Oct	4,664.3	552.0	1,344.7	1,936.5	8,497.5	6.5	0.9	0.6	21.2	29.2	8.0
Nov	4,863.6	562.7	1,349.2	1,991.1	8,766.6	21.0	0.5	-0.3	30.3	51.5	21.2
Dec	4,940.0	567.3	1,357.4	2,040.5	8,905.2	9.8	-0.8	-2.8	47.0	53.2	6.2
2006											
Jan	5,196.4	581.1	1,375.4	2,040.4	9,193.3	31.6	-0.1	8.3	-4.4	35.3	39.7
Feb	5,198.1	582.5	1,389.3	2,051.0	9,220.9	27.3	0.8	8.7	5.5	42.3	36.8
Mar	5,340.5	588.1	1,384.6	2,048.5	9,361.7	34.4	0.6	5.3	-8.3	32.0	40.2
Apr	5,473.9	596.5	1,389.6	2,027.2	9,487.2	26.3	0.3	0.9	-27.1	0.5	27.6
May	5,262.3	586.1	1,386.3	2,081.7	9,316.4	1.8	-0.2	-2.5	50.8	50.0	-0.8
June											
July											
Aug											
Sept											
Oct											
Nov											
Dec											
YTD '05	4,407.3	534.7	1,323.4	1,858.4	8,123.7	67.8	18.0	11.2	-71.3	25.8	97.1
YTD '06	5,262.3	586.1	1,386.3	2,081.7	9,316.4	121.5	1.4	20.7	16.5	160.1	143.6
% Change	19.4%	9.6%	4.8%	12.0%	14.7%	79.0%	-92.0%	85.4%	NM	521.2%	48.0%

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

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