



FOURTH STREET PERFORMANCE PARTNERS  
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## February 2010: Market Review

U.S. equity markets rebounded in February after a difficult start to the year in January. The S&P 500 Index rallied 3.10% in the month and remains down (0.61%) for the first two months of 2010. Also, in February the Dow Jones Industrial Average and the NASDAQ composite gained 2.95% and 4.23%, respectively. These equity benchmarks also remain in negative territory for the year with the DJIA down (0.47%) and the Nasdaq showing a loss of (1.36%) after the first two months.

Global economic fears shifted squarely to the European Union throughout most of February. Concerns over mounting debt levels, particularly in Greece, sent the euro spiraling downward relative to the dollar and the yen. Meanwhile in the U.S., the Federal Reserve unexpectedly raised the discount rate, or the rate it charges banks for emergency overnight lending, by a modest 0.25%. Fourth quarter 2009 domestic GDP was revised higher to an annualized rate of 5.9%.

Style performance differences among U.S. equities were small in February with little directionality. Among large-caps, the Russell 1000 Growth Index gained 3.44% while the Russell 1000 Value was up 3.16%. However, in small-caps, value outperformed. The Russell 2000 Value Index rose 4.64% in February while the Russell 2000 Growth Index added 4.36%. Year to date, value has a decided advantage over growth stocks across large, mid, and small cap stocks.

International equity markets failed to participate in the gains domestic equities enjoyed in February. European markets continued to sell off during the month and weighed on the overall EAFE Index. The MSCI EAFE Index declined (0.68%) bringing the loss year to date to (5.05%). The MSCI Emerging Markets Index posted a modest gain of 0.37% in the month. Through February, emerging markets have declined (5.21%) for the year.

Fixed income returns were positive across most sectors and durations in February as interest rates stayed relatively unchanged from January's levels. The Barclays U.S. Aggregate Index gained 0.37% in February and is now up 1.91% year-to-date. The Barclays Corporate High Yield Index gained 0.17% for the month and is up 1.44% for the year. The Barclays Treasury Composite Index added 0.40% in February. So far, treasuries have been the best performing bond sector in 2010, with a gain of 1.98%.

February's equity rebound was encouraging, especially given the heightened concerns in Europe. However, many headwinds to the markets and the economy remain, both globally as well as domestically.