CONCORD ASSET MANAGEMENT
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RESEARCH REPORT

July, 2009

Market Overview & Strategy Comments: *The Weak Dollar Lends a Hand to Recovery Hopes.*

Foreign currencies have rallied against the dollar giving a solid boost to prospects for an economic recovery in the U.S. *Why? By making imports more expensive and exports cheaper, the demand for domestically produced goods should go up.*

Key Statistics	Current	Change Since Previous Month	2009 Change
Dow Jones Industrial Average *	8447.00	-0.6%	-3.8%
S&P 500 Index *	919.32	0.0%	+1.8%
S&P 500 Ave. P/E Ratio **	16.7x	+1.2x	+2.8x
NASDAQ *	1835.04	+3.4%	+16.4%
1 Year Treasury Bill Yield	0.56%	+9 bps	+19 bps
10 Year Treasury Bond Yield	3.53%	+6 bps	+128 bps
30 Year Treasury Bond Yield	4.32%	-2 bps	+163 bps
Municipal Notes - 1 Year Yield	0.70%	0 bps	-45 bps
Municipal Bonds - 10 Year Yield	3.90%	+50 bps	-20 bps
Reuters/Jefferies CRB Futures	$249.96	-1.2%	+8.9%
Gasoline NY RBOB ($ per gal.)	$1.90	-1.8%	+88.2%
Natural Gas ($ per MMBtu)	$3.84	0.0%	-31.8%
Gold ($ per troy oz.)	$927.10	-5.3%	+4.9%

** price only ** based on 2009 earnings estimates.*
The Reuters/Jefferies CRB Futures Price Index is an arithmetic average of commodity futures prices with monthly rebalancing.
Gasoline NY RBOB price excludes local, state and federal taxes (the"wholesale price").
For clients only. All factual materials are obtained from sources believed to be reliable but cannot be guaranteed. Securities are identified for illustrative purposes only. This should not be construed as a recommendation to purchase or sell any securities.

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Market Overview & Strategy Comments: *The Weak Dollar Lends a Hand to Recovery Hopes.*

The British pound has rallied 20% from its recent lows against the dollar, the Australian dollar 30%, the euro 12%, the yen 15% and the Canadian dollar almost 15%. These surging foreign currency values give a solid boost to prospects for an economic recovery in the U.S. *Why? By making imports more expensive and exports cheaper, the demand for domestically produced goods should go up.*

We have experienced a dramatic improvement in the trade deficit over the past year, from roughly $60 billion per month to about half of that. And now, with the dollar settling down after its 20% surge during the recessionary panic, we see prospects for further improvement if the dollar's recent decline leads to an additional rebound in exports.

This potential boost is critical because outside of government stimulus efforts, consumer spending is unlikely to be much help to our economy in the short-term. Due to a lack of easy credit, fear that our economy may remain weak for some time, and homeowner's equity evaporating, consumers are focusing on reducing debt and boosting savings rather than on spending. The savings rate is now at a 15-year high of 7% and credit card debt has dropped six months in a row. However, economists estimate consumers need to pay off an additional $2 to $4 *trillion* in debt before the savings rate gets back toward the long-term averages of 8-10%. Rising savings helps our long-term economic outlook, but is painful in the short-term as retail spending takes a back seat and keeps a lid on consumer led growth. *This increases the importance of the global side of our economy.*

Turning back to the falling dollar, here's how it should help our economy:

- Typically a weak dollar leads to higher prices for commodities, which is good for the world's farm sectors and emerging economies rich in natural resources. As foreign economies improve, they will likely buy more of our capital goods and consumer goods especially now that the weaker dollar makes our goods less expensive to foreign buyers.
- The weaker dollar gives our goods a competitive edge at a time when BRIC countries (Brazil, Russia, India and China) are improving dramatically. China is expected to grow almost 8% this year and 9% next year, and India and Brazil are also improving quickly, with India growing perhaps 6% this year and 7% next year. As the *New York Times* noted in a recent article entitled "Developing Nations Seen As Engine For Recovery," American goods should be in higher demand from these developing nations as they "decouple" from our slower growth path. "If decoupling were a reality, it could be good for the developed countries, as growing wealth in China and India could, in theory, increase demand for goods made in recession-battered countries like Japan, Germany and the United States," said the *Times*.
- Demand for our goods is not just confined to emerging economies. As more mature economies seek to spend their own "stimulus funds," they are making significant capital-intensive infrastructure improvements. Our capital goods firms, now that the weaker dollar makes their products more attractive, should benefit from the spending of these stimulus funds abroad.
- Profits generated by U.S. companies on their foreign sales are enhanced by the weak dollar, improving prospects for domestic capital spending and hiring.

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Looking beyond the currency situation, our economy is experiencing other good news. As our savings rates rise, the current account deficit has improved dramatically and is now at its lowest level since 2001 (the current account is essentially trade flows plus investment flows). The improving current account deficit is evidence we are at least modestly reducing our dependence upon foreign investors to finance our economy and debt. At the same time, gradual improvement in housing continues; sales are picking up, prices are starting to hold and the inventory of unsold homes is coming down. Housing affordability is up significantly and, aided by the tax credit, 40% of all sales are going to first time home buyers.

While the recent stock market rally is taking a breather, it comes as no surprise that companies who are beneficiaries of the weak dollar and stronger international growth have been performing well lately. Stocks in the energy, capital goods, technology and basic material sectors have been market leaders, with some signs of life as well in health care and consumer staples. Current portfolios are well positioned to benefit from a continuation of the weak dollar trend and the likelihood of stronger growth in emerging economies relative to ours.

For instance:

- Consumer staple and health care stocks including Coca Cola, Colgate Palmolive, Johnson & Johnson, Novartis and Heinz, while still a bit behind the averages for the year are up almost 10% this quarter.
- Technology stocks in general, including Google, Cisco Systems and EMC, are up almost 20% this quarter and technology is by far the best sector year-to-date in the S&P 500.
- The capital goods sector, including stocks such as 3M Co., ABB Ltd., United Technologies and Danaher, is lagging a bit year-to-date but up almost 20% this quarter.
- Rallying oil prices have led to a sharp rebound in energy stocks (Apache and Petrobras) and we believe Schlumberger should also be an excellent long-term beneficiary of higher oil prices and capital spending in emerging economies.
- Many foreign stocks are also beneficiaries of a weak dollar, and we’ve seen material rallies in stocks such as American Movil, China Mobile and Toyota, and the Emerging Markets ETF has outperformed our market by 20% this year.

In summary, seeds of economic recovery are being sown, but for now they look to be outside of the consumer sector. Rather, we are likely to see the potential for a sustainable economic recovery come from the global side of our economy, and the weak dollar enhances those prospects. The stock market sees things similarly at this time and the relative performance of different market sectors reflects this outlook. Our goal remains to focus on positioning portfolios to benefit from this budding recovery both here and abroad.

Securities identified are for illustrative purposes only. This should not be construed as a recommendation to purchase or sell any securities. The securities mentioned may or may not be held in all client portfolios. For a list of current recommendations, please see the back page of this report and/or contact your portfolio manager.

CORE HOLDINGS LIST FOR 2009

Source: FactSet, First Call, Value Line, Bloomberg & CAM Estimates.

July 1, 2009	Company Name	Ticker	Recent Close	2009 EPS	2010 EPS	2009 P/E	2010 P/E	Est EPS Growth	P/E to Growth	Market Cap($mm)	ROE	Div Yield
	Standard & Poors 500	SPX	919.32	$55.00	$71.44	16.7x	12.9x	8%	1.6x	8,044,816	14%	2.3%
Financials:	Berkshire Hathaway Cl "B"	BRK/B	2,895.73	$167.00	$193.67	17.3x	15.0x	5%	-	42,941	4%	0.0%
	MasterCard	MA	167.31	$10.52	$12.37	15.9x	13.5x	18%	0.8x	16,483	10%	0.4%
Consumer Staples:	Coca Cola	KO	47.99	$3.05	$3.34	15.7x	14.4x	7%	2.0x	111,097	28%	3.4%
	Colgate Palmolive	CL	70.74	$4.25	$4.71	16.7x	15.0x	10%	1.5x	35,339	93%	2.5%
	Diageo Plc ADR	DEO	57.25	$4.33	$4.75	13.2x	12.1x	7%	1.9x	35,776	44%	4.0%
	Fomento Economico Mexico	FMX	32.24	$1.96	$2.39	16.4x	13.5x	23%	0.6x	6,968	9%	0.6%
	H.J. Heinz	HNZ	35.70	$2.75	$2.81	13.0x	12.7x	9%	1.4x	11,249	59%	4.7%
	Walgreen Co.	WAG	29.40	$2.09	$2.38	14.1x	12.4x	13%	1.0x	29,156	18%	1.5%
Health Care:	Becton Dickinson	BDX	71.31	$5.06	$5.58	14.1x	12.8x	13%	1.0x	17,081	24%	1.9%
	Johnson & Johnson	JNJ	56.80	$4.50	$4.87	12.6x	11.7x	6%	1.8x	156,516	30%	3.5%
	Medtronic, Inc.	MDT	34.89	$3.07	$3.35	11.4x	10.4x	10%	1.0x	38,810	18%	2.4%
	Novartis AG	NVS	40.79	$3.84	$4.27	10.6x	9.6x	7%	1.3x	107,589	16%	3.6%
	Zimmer Holdings	ZMH	42.60	$3.87	$4.27	11.0x	10.0x	9%	1.1x	9,163	15%	0.0%
Consumer Discretionary:	Staples, Inc	SPLS	20.17	$1.15	$1.35	17.6x	14.9x	15%	1.0x	14,435	14%	1.6%
	Target Corp.	TGT	39.47	$2.85	$3.11	13.8x	12.7x	14%	0.9x	29,692	15%	1.7%
	Toyota Motor Co. ADR	TM	75.53	NMF	$1.92	NMF	39.3x	3%	13.1x	130,214	14%	2.6%
Technology:	Cisco Systems	CSCO	18.64	$1.08	$1.17	17.3x	16.0x	13%	1.2x	107,571	24%	0.0%
	EMC Corp.	EMC	13.10	$0.62	$0.79	21.3x	16.7x	12%	1.4x	26,380	11%	0.0%
	Fiserv, Inc.	FISV	45.70	$3.65	$4.10	12.5x	11.1x	15%	0.8x	7,112	14%	0.0%
	Google	GOOG	421.59	$18.37	$22.28	22.9x	18.9x	20%	1.0x	101,908	17%	0.0%
Industrials:	3M Co.	MMM	60.10	$3.86	$4.30	15.6x	14.0x	15%	0.9x	41,682	32%	3.4%
	ABB Ltd. ADR	ABB	15.78	$1.08	$0.97	14.6x	16.3x	10%	1.6x	36,654	28%	0.0%
	Danaher Corp.	DHR	61.74	$3.44	$3.66	18.0x	16.9x	11%	1.5x	19,677	14%	0.2%
	General Electric	GE	11.72	$0.99	$0.94	11.8x	12.4x	9%	1.4x	124,110	16%	3.4%
	United Parcel Service	UPS	49.99	$2.31	$2.84	21.6x	17.6x	12%	1.5x	34,955	32%	3.6%
	United Technologies	UTX	51.96	$4.15	$4.51	12.5x	11.5x	10%	1.1x	48,948	25%	3.0%
Energy:	Apache Corp.	APA	72.15	$3.74	$7.27	19.3x	9.9x	7%	1.4x	24,184	4%	0.8%
	Petroleo Brasileiro S.A. ADR	PBRA	33.36	$2.60	$3.04	12.8x	11.0x	8%	1.4x	61,728	30%	0.9%
	Sasol LTD ADR	SSL	34.82	$3.58	$4.42	9.7x	7.9x	15%	0.5x	22,197	35%	3.6%
	Schlumberger, Ltd.	SLB	54.11	$2.56	$2.59	21.1x	20.9x	8%	2.6x	64,738	34%	1.6%
Telecom Services:	America Movil ADR	AMX	38.72	$2.98	$3.43	13.0x	11.3x	13%	0.9x	39,876	43%	1.2%
	China Mobile Hong Kong	CHL	50.08	$4.14	$4.27	12.1x	11.7x	15%	0.8x	200,895	28%	3.3%
Transportation:	Kansas City Southern	KSU	16.11	$0.68	$1.13	23.8x	14.3x	20%	0.7x	1,475	10%	0.0%
Exchange Traded Funds:	iShares MSCI EAFE Index	EFA	45.81	-	-	-	-	-	-	29,300	-	4.1%
	iShares MSCI Emerging Mkts	EEM	32.23	-	-	-	-	-	-	28,456	-	1.5%

0% weighting in utilities and materials.

The above is a list of common stocks currently held in clients' portfolios. Not all stocks are held in all portfolios for various reasons. Upon request we will furnish a list of all equity recommendations made within the past twelve months. This list includes the name of the security, date and nature of the recommendation, price at which the recommendation was acted upon, and the current market price of the security. It should not be assumed that recommendations made in the future will be profitable or will equal the performance of the securities in this list.

Please contact Mickey Herst for a copy of the list.

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