

United States: Portfolio Strategy

US Weekly Kickstart

Your five-minute guide to the US equity market: performance, earnings, valuation, & more

“Things aren’t always what they appear to be.” 3Q earnings season is shaping up to be one of the best quarters ever with 52% of firms posting positive EPS surprises vs. historical average of 42%. However, only 33% of firms surprised on revenues, below 40% average. One cause for concern: 3Q GDP growth of 3.5% suggests the recession ended in summer, but just 26% of “end-demand” facing firms beat sales.

Performance

The S&P 500 fell 2.4% over the course of a volatile week in which the market fell as low as 1042 before rebounding 2.25% on the back of better-than-expected 3Q GDP growth. Our 2009 year-end price target of 1060 implies no upside from current levels.

S&P 500 earnings

Our top-down EPS forecasts of \$52 and \$75 for 2009 and 2010 reflect +5% and +45% growth, respectively. Our pre-provision and write-down EPS forecasts are \$69 for 2009 and \$81 for 2010. Bottom-up consensus forecasts a 14% increase in 2009 to \$56, and a 36% increase in 2010 to \$77.

Valuation

Top-down, the S&P 500 trades at an NTM P/E of 15.0X (13.5X on pre-provision EPS). Bottom-up, it trades at NTM P/E of 14.7X and LTM P/B of 2.3X.

Size and style

Large-cap (S&P 500) outperformed small-cap (Russell 2000) by 295 bp over the past week and has outperformed by 277 bp ytd. Large-cap Telecom Services outperformed small-cap Telecom Services by 661 bp this week, but have underperformed by 1,141 bp YTD.

US Portfolio Strategy baskets

Our defensively-tilted baskets were the best performers this week. The Dividend Growth basket <GSTHDIVG> was the top performer, outperforming the S&P 500 by 85 bps. The Strong Balance Sheet basket <GSTHSBAL> outperformed the Weak Balance Sheet basket <GSTHWBAL> by 343 bp for the week.

S&P 500 stock performance this week

Leaders: AMZN, CVH, RSH, MSFT, TSN.
Laggards: GT, APOL, GCI, FSLR, NYT.

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Conversations we are having with clients: “Things aren’t always what they appear to be”

On the surface – using bottom-line EPS as a gauge – corporate results for 3Q have been very strong. However, the driver of the positive EPS surprises – increased profit margins – remains troublesome. Cost cutting cannot continue indefinitely. A sustainable recovery requires rising revenues but top-line sales were disappointing in 3Q.

More importantly, sales for the firms we classify as “end-demand” oriented were particularly weak. “Intermediary” firms posted strong sales reflecting inventory re-stocking. Many clients pushed back on our stage-of-production analysis, arguing that one should expect firms with final demand to post weak top-line results at this point in the economic cycle.

Our reply is how could 3Q GDP hit 3.5% but none of the demand spill over to firms at the end of the production chain? (We recognize “cash-for-clunkers” added 1.7 pp to the headline figure and incentives for first-time home buyers also helped). The gap in revenue surprises between “end demand” and “intermediary” firms has never been higher at 20pp (46% vs. 26%). Although not a long time series, it includes the early 2000s recovery.

Details of 3Q earnings so far

351 companies representing 78% of the equity cap of the S&P 500 have now released quarterly earnings. Another 95 firms are scheduled to report results next week.

The 3Q reporting season has been excellent in terms of earnings results.

In fact, 3Q 2009 earnings season is shaping up to be one of the best quarters ever with 52% of firms posting positive EPS surprises relative to consensus expectations compared with a historical average of 42%.

However, 3Q results are less positive when measured by revenues. Only 33% of S&P 500 non-Financials and Utilities firms reported 3Q sales more than one standard deviation above consensus expectations compared with a historical average of 40%. **More importantly, “end-demand” oriented firms had the weakest results while “intermediary” companies posted uniformly strong results.** The “intermediary” companies have benefitted from inventory re-stocking and 46% of these firms beat sales forecasts and 64% beat EPS forecasts.

“End-demand” oriented companies performed much worse. Just 26% of the “end-demand” facing firms beat consensus sales expectations. In addition, 18% of the “end-demand” firms announced significant revenue shortfalls in 3Q. Despite the negative revenue surprises, aggressive cost cutting enabled 52% of the “end-demand” firms to beat EPS forecasts.

Money flow: \$600 billion potential inflow into US stocks in 2010

Earlier in the week we published a report titled *Money flow: myths & realities surrounding potential equity inflows*. **We estimate the potential net equity inflow over the next several quarters from individuals, institutional investors, and corporations will total \$600 billion**, equal to 6% of the current equity cap of the S&P 500. Individuals (\$350 billion), institutional investors (\$150 billion) and corporations (\$100 billion) represent the primary sources of potential inflow (see Exhibit 1).

Potential inflow of \$600 billion represents a bullish back-drop for stock investors heading into 2010. However, it will not be sufficient to sustain a robust market rally without accompanying improvements in the US economy and the corporate earnings outlook. Evidence of final demand beyond inventory re-stocking and a recovery in top-line sales growth would spark equity capital inflows, in our opinion.

Money market mutual fund industry assets currently total \$3.4 trillion.

We expect the taxable money market mutual fund component to fall from \$3.0 trillion to \$2.0 trillion over the next 12 months, freeing up \$1.0 trillion in potential flows into riskier assets. The robust flows out of money market mutual funds YTD have benefited bond funds but have not yet manifested in positive net flows for US equity mutual funds. Extraordinarily low yields have contributed to investors’ exodus from money market mutual funds since spring 2009. We expect the trend will continue in 2010 (see Exhibit 2).

Individuals: \$350 billion of potential money flow into equities. We expect \$600 billion of outflows from the \$1.9 trillion of taxable money market mutual funds owned by individuals, with 50% going to stocks split between equity mutual funds and direct share purchases. Robust outflows YTD have benefited bond funds but have not yet benefited equity funds. An additional \$50 billion could flow from savings to the US equity market.

Institutions: \$150 billion from hedge funds and foreign investors. US mutual funds no longer hold large cash positions as a percentage of total assets. If hedge funds modestly re-lever it would total \$50 billion of equity inflow. Foreign investors buy \$100 billion of US stocks annually.

Corporations: \$100 billion net flow from buybacks, M&A, pension contributions, and issuance. Non-financial corporations hold \$760 billion in cash, reflecting the severe cutback in all forms of capital spending. We expect \$250 billion of cash M&A, buybacks, and pension spending offset by \$150 billion in issuance.

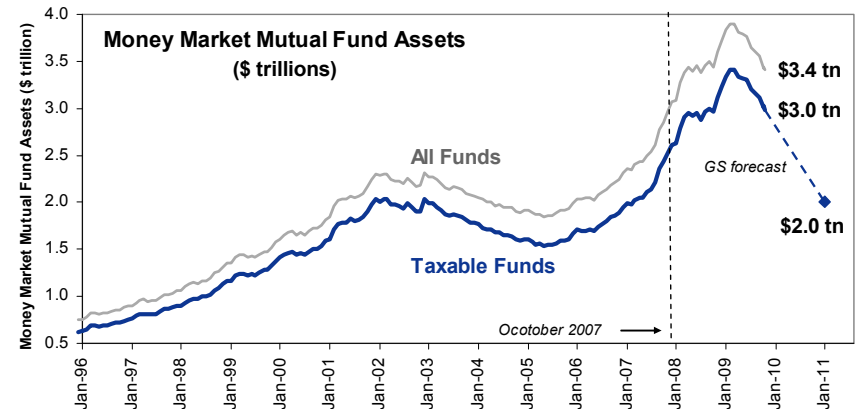
The charts we are watching: Money flow and 3Q 2009 earnings season

Exhibit 1: \$600 billion of potential flows into the US equity market
as of October 25, 2009

\$ billions	Cash Position	Description / rationale	Potential Net Equity Inflow
Retail / Individual			
Money Market Assets	\$ 1,920	Re-allocation to risk assets	\$ 300
Savings Deposits	5,800	Re-allocation to risk assets	50
Institutional Investors			
Equity Mutual Funds	130	Liquidity ratio near record low	-
Hedge Funds	-	Increase in leverage	50
Foreign Investors	-	Net purchases at 10-yr average	100
Corporations			
Cash & Equivalents	760	Buybacks and M&A forecast	200
New Equity Issuance	-	De-leveraging and IPOs	(150)
DB Pension Investment	-	New contributions to plan	50
TOTAL	\$ 8,610		\$ 600
% of S&P 500 Market Cap			6 %

Source: ICI, Federal Reserve and Goldman Sachs Global ECS Research.

Exhibit 2: We expect taxable money market assets to fall from \$3.0 to \$2.0 trillion; as of October 14, 2009



Source: ICI via Haver Analytics and Goldman Sachs Global ECS Research.

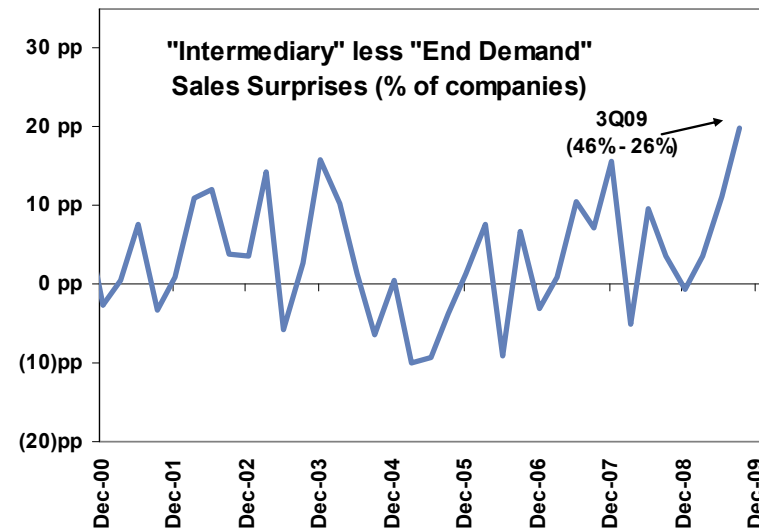
Exhibit 3: Few "End Demand" companies are beating sales estimates

	# of Co's	3Q Surprises				Average Return	
		Positive		Negative		Since Report	Since 30-Sep
		Sales	Earnings	Sales	Earnings		
Raw Materials	19	26%	42%	11%	11%	(291)bp	166 bp
Intermediary Goods	77	46	64	8	3	(195)	(161)
End Demand	190	26	52	18	5	(101)	(86)
Total	286	31%	55%	15%	5%	(139)bp	(90)bp

	# of Co's	Stage-of-Processing Split			Median Surprise	
		Raw	Mid	End	Sales	Earnings
Sales Beats	87	6%	40%	54%	5 %	17%
Earnings Beats	156	5	31	63	1	15
Sales In-Line	151	8	24	68	(0)%	6%
Earnings In-Line	117	8	22	70	(0)	
Sales Misses	42	5	14	81	(4)%	1%
Earnings Misses	13	15	15	69	(5)	
Total (# of stocks)	280	19	77	184	0 %	9%

Source: Compustat, I/B/E/S, and Goldman Sachs Global ECS Research.

Exhibit 4: "Intermediary" goods companies are posting their strongest quarter of sales surprises relative to "End Demand" companies



Source: Compustat, I/B/E/S, and Goldman Sachs Global ECS Research.

The charts we are watching: 3Q 2009 earnings season

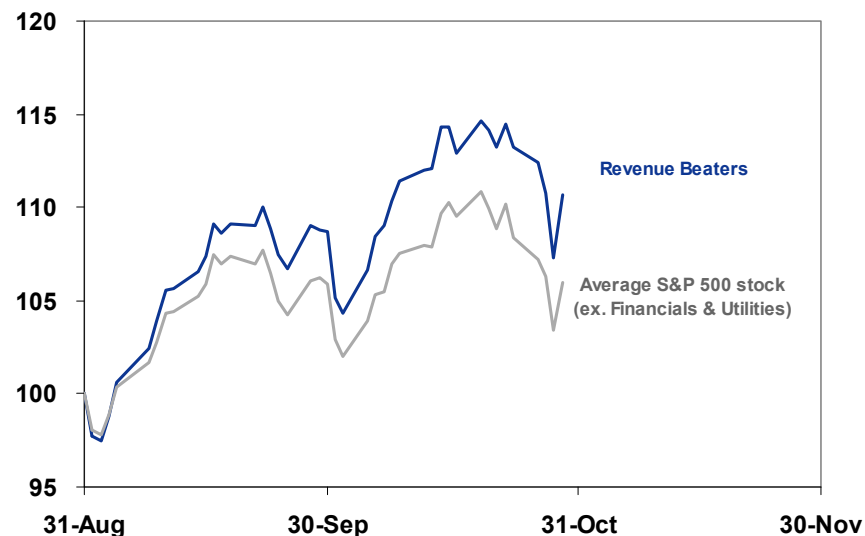
Exhibit 5: Companies beating on earnings but not revenues

3Q 2009 Results (ex. Financials and Utilities)

261 Stocks		Earnings Surprise			
		Positive	Inline	Negative	Total
Revenue Surprise	Positive	26%	7%	0%	33%
	Inline	26%	26%	2%	54%
	Negative	4%	7%	2%	12%
	Total	56%	39%	4%	

Source: FirstCall, I/B/E/S, and Goldman Sachs Global ECS Research.

Exhibit 6: Revenue Beaters outperforming the average S&P 500 stock



Source: FirstCall, I/B/E/S, and Goldman Sachs Global ECS Research.

Exhibit 7: Of the 146 stocks (56%) beating consensus 3Q EPS estimate by more than 1 standard deviation . . .

3Q 2009 Revenue and Earnings Beaters (68 stocks)

Leading sectors: Information Technology and Health Care

Companies						
AAPL	GOOG	NSM	LIFE	AMZN	AVY	BTU
ADBE	INTC	QLGC	LLY	BDK	CTAS	DO
AKAM	JBL	RHT	MCK	DV	DOV	FTI
AMD	JNPR	SNDK	MYL	EXPE	LUV	HAL
APH	KLAC	SYMC	PKI	FO	MAS	NOV
BRCM	LLTC	WDC	RX	HAR	MMM	WMB
CVG	LSI	CELG	TMO	JCI	NOC	EL
EBAY	LXK	GILD	WAT	ORLY	FCX	KMB
EMC	MOLX	HSP	ZMH	WHR	MWV	STZ
GLW	MU	ISRG		WYNN	NEM	

Source: FirstCall, I/B/E/S, and Goldman Sachs Global ECS Research.

3Q 2009 Cost Cutters (11 stocks)

Leading sectors: Industrials and Consumer Staples

Companies		
SRCL	CAG	GCI
GR	HSY	MHP
HON	MKC	CEPH
LLL		
LMT		

Source: FirstCall, I/B/E/S, and Goldman Sachs Global ECS Research.

3Q 2009 Earnings Season Update

Exhibit 8: 3Q Earnings Season Summary

as of October 29, 2009

S&P 500 EQUAL-WEIGHTED

	Number of Companies			Std Dev Surprises (a)			Absolute Surprises (b)			Avg 3Q Surprise	since 31-Aug-09		Total Return	P/E (NTM)	
	Reported	Total	% of Co's	Positive	Negative	In-Line	Positive	Negative	In-Line		2009	2010		Current	31-Aug
	Health Care	39	53	74 %	64 %	5 %	31 %	85 %	5 %		10 %	7 %		0.8 %	1.3 %
Information Technology	52	76	68	63	2	33	83	4	13	21	8.3	7.0	5.9	19.9	21.4
Industrials	47	59	80	60	4	36	89	6	4	21	2.4	3.3	5.0	20.5	18.7
Consumer Staples	23	41	56	57	4	39	83	9	9	16	1.2	1.1	7.0	14.3	13.9
Materials	27	30	90	56	0	44	89	11	0	37	4.5	5.6	3.1	20.6	22.3
Consumer Discretionary	46	78	59	50	2	46	78	15	7	11	2.9	4.5	4.8	18.4	17.6
Financials	62	79	78	47	15	39	69	29	2	11	0.9	(1.0)	0.4	14.8	16.2
Energy	23	40	58	35	13	52	65	26	9	4	2.5	3.5	16.1	21.2	20.8
Utilities	28	35	80	32	11	57	71	25	4	11	1.5	(2.0)	1.6	12.5	12.5
Telecom Services	4	9	44	25	0	75	50	25	25	(4)	(2.9)	(1.8)	1.8	16.4	15.3
S&P 500	351	500	70 %	52 %	6 %	41 %	79 %	15 %	7 %	15 %	2.8 %	2.7 %	4.7 %	17.5	17.5
S&P 500 ex. Financials	289	421	69 %	54 %	4 %	41 %	81 %	11 %	8 %	16 %	3.2 %	3.3 %	5.5 %	17.9	17.7

Comparative Data (full earnings season)

2Q 2009	500	500	100 %	46 %	12 %	41 %	70 %	21 %	8 %	17 %	0.5 %	1.0 %
1Q 2009	499	500	100	37	16	45	62	30	8	7	(6.6)	(6.9)
4Q 2008	497	500	99	26	26	48	52	40	8	(16)	(5.0)	(17.9)
3Q 2008	500	500	100	27	19	53	54	37	9	(5)	(7.9)	(20.2)
2Q 2008	500	500	100	38	15	47	62	28	10	(1)	(2.5)	(5.1)

S&P 500 CAP-WEIGHTED

	Weight of Companies			Std Dev Surprises (a)			Absolute Surprises (b)			Avg 3Q Surprise	since 31-Aug-09		Total Return	P/E (NTM)	
	Reported	Total	% of Co's	Positive	Negative	In-Line	Positive	Negative	In-Line		2009	2010		Current	31-Aug
	Information Technology	14	19	71 %	70 %	0 %	29 %	90 %	1 %		9 %	17 %		4.9 %	6.4 %
Consumer Discretionary	4	9	43	66	1	33	87	8	5	13	5.3	3.4	5.7	17.0	17.0
Health Care	11	12	88	63	3	35	94	3	4	7	1.5	0.5	0.1	11.4	11.9
Telecom Services	3	3	88	61	0	39	63	3	34	4	(6.5)	(5.1)	1.4	13.9	13.3
Materials	3	3	97	57	0	43	96	4	0	68	17.1	6.4	3.3	17.9	20.9
Financials	13	15	89	55	19	27	75	24	0	(1)	6.1	2.9	0.7	16.4	19.7
Industrials	9	10	88	44	6	50	93	6	1	5	(0.3)	2.3	5.0	16.0	16.5
Consumer Staples	8	12	70	34	2	65	96	2	2	8	1.2	1.7	6.9	14.1	13.8
Energy	10	12	81	27	2	72	53	41	5	6	1.8	1.1	12.0	14.5	13.9
Utilities	3	4	85	22	9	69	69	21	11	4	(0.3)	(0.7)	0.2	12.2	12.3
S&P 500	78	100	78 %	51 %	5 %	44 %	83 %	12 %	5 %	10 %	2.5 %	2.4 %	4.8 %	14.8	15.3
S&P 500 ex. Financials	65	85	76 %	50 %	2 %	47 %	84 %	10 %	6 %	12 %	2.1 %	2.3 %	5.5 %	14.6	14.7

(a) In-line if reported earnings are within one standard deviation of consensus estimates two weeks before reporting date.

(b) Positive if greater than consensus estimates two weeks before reporting date.

Source: Compustat, Bloomberg, First Call and Goldman Sachs Research.

S&P 500 3Q2009 Earnings Calendar – November 2-6

Sector	Company name	Ticker	Rating	YTD Return	Mkt Cap (\$ bil)	3Q 2009 EPS			Consensus 3Q 2009		P/E (NTM)
						GS	Consensus	Std. Dev.	YTD Revisions	Yr/Yr Growth	
Monday, November 2, 2009											
Consumer Discretionary	Ford Motor	F	Buy*	219 %	\$ 24	\$(0.20)	\$(0.12)	\$ 0.13	75 %	91 %	NM
Consumer Staples	Sysco Corp.	SYN	Neutral	23 %	\$ 16	\$ 0.43	\$ 0.45	\$ 0.01	(10)%	(2)%	15.2 x
	Clorox Co.	CLX	Neutral	10	8	0.97	0.95	0.02	(3)	4	14.0
	Dean Foods	DF	Neutral	1	3	0.36	0.33	0.02	(2)	18	11.4
Energy	Anadarko Petroleum	APC	Neutral	67 %	\$ 31	\$(0.39)	\$(0.33)	\$ 0.09	(167)%	(120)%	NM
	Chesapeake Energy Corp.	CHK	Buy	63	17	0.70	0.65	0.03	(2)	(24)	11.2
Financials	Loews Corp.	L	NC	23 %	\$ 13		\$ 0.89	\$ 0.23	(21)%	370 %	9.1 x
	Principal Financial Group	PFGE	Neutral	18	9	0.64	0.65	0.03	(18)	(32)	9.7
Health Care	Humana Inc.	HUM	Neutral	4 %	\$ 7	\$ 1.80	\$ 1.77	\$ 0.04	(5)%	19 %	6.7 x
Industrials	Republic Services Inc	RSG	Neutral	9 %	\$ 8	\$ 0.35	\$ 0.37	\$ 0.02	(26)%	(24)%	17.6 x
Materials	Vulcan Materials	VMC	NC	(29)%	\$ 6		\$ 0.38	\$ 0.06	(49)%	(30)%	58.3 x
Utilities	Consolidated Edison	ED	Sell*	11 %	\$ 11	\$ 0.94	\$ 1.04	\$ 0.04	(5)%	6 %	13.2 x
	Northeast Utilities	NU	Neutral	(0)	4	0.32	0.37	0.03	(15)	(21)	13.3
Tuesday, November 3, 2009											
Consumer Discretionary	Viacom Inc.	VIA.B	Buy	49 %	\$ 17	\$ 0.60	\$ 0.56	\$ 0.03	(1)%	2 %	12.6 x
	Polo Ralph Lauren	RL	Buy	68	4	1.39	1.30	0.07	(12)	(18)	19.2
Consumer Staples	Archer-Daniels-Midland	ADM	NC	9	20		0.56	0.07	NM	(65)	12.6
Energy	Marathon Oil Corp.	MRO	Neutral	25 %	\$ 24	\$ 0.54	\$ 0.57	\$ 0.05	(46)%	(79)%	10.9 x
	Cameron International Corp	CAM	Buy*	91	9	0.54	0.53	0.03	(23)	(27)	19.4
	Pioneer Natural	PXD	Buy	173	5	0.11	0.07	0.07	(87)	(92)	51.9
	Denbury Resources Inc.	DNR	NC	41	4		0.16	0.03	(42)	(67)	24.4
	Rowan Cos.	RDC	Neutral	57	3	0.47	0.52	0.04	(51)	(41)	10.9
Financials	Hartford Financial Svc.Gp.	HIG	Sell	58 %	\$ 10	\$ 0.69	\$ 1.13	\$ 0.38	(22)%	181 %	6.7 x
	Vornado Realty	VNO	Neutral	7	9	1.02	1.16	0.09	(7)	9	13.0
	Hcp Inc	HCP	Buy	16	9	0.54	0.51	0.09	(13)	(28)	14.1
	IntercontinentalExchange Inc.	ICE	Neutral	28	8	1.15	1.15	0.02	(13)	11	22.1
	UnumProvident Corp.	UNM	NC	16	7		0.64	0.01	(5)	0	8.1
Health Care	Medco Health Solutions Inc.	MHS	Neutral	36 %	\$ 27	\$ 0.71	\$ 0.72	\$ 0.01	3 %	14 %	18.6 x
	AmerisourceBergen Corp.	ABC	Buy	28	7	0.39	0.40	0.01	1	10	12.8
	DaVita Inc.	DVA	NC	8	6		0.99	0.03	3	11	13.2
	Tenet Healthcare Corp.	THC	Buy	377	2	0.01	(0.02)	0.02	(12)	71	61.0
Industrials	Emerson Electric	EMR	Neutral	11 %	\$ 30	\$ 0.60	\$ 0.60	\$ 0.03	(23)%	(32)%	19.9 x
	Rockwell Collins	COL	Buy	34	8	0.91	0.87	0.04	(26)	(23)	15.4
	Expeditors Int'l	EXPD	NC	1	7		0.29	0.02	(29)	(26)	29.7
	Jacobs Engineering Group	JEC	Neutral	(8)	5	0.65	0.68	0.04	(30)	(26)	15.6
	Pitney-Bowes	PBI	Sell	3	5	0.54	0.54	0.01	(23)	(19)	10.8
Information Technology	Mastercard	MA	Buy	60 %	\$ 22	\$ 2.91	\$ 2.92	\$ 0.12	(0)%	18 %	19.5 x
	Cognizant Tech Solutions	CTSH	Buy	123	12	0.41	0.41	0.01	(2)	8	23.5
	Sun Microsystems Inc.	JAVA	Neutral	116	6	(0.22)	(0.20)	0.11	(112)	17	NM
Telecommunication Services	American Tower Corporation	AMT	Buy	30 %	\$ 15	\$ 0.15	\$ 0.16	\$ 0.01	(12)%	7 %	51.7 x
	Frontier Communications	FTR	Neutral	(7)	2	0.16	0.15	0.03	(12)	0	11.0

* Conviction List.

Source: Compustat, First Call, Bloomberg and Goldman Sachs Global ECS Research.

S&P 500 3Q2009 Earnings Calendar – November 2-6 (cont'd)

Sector	Company name	Ticker	Rating	YTD Return	Mkt Cap (\$ bil)	3Q 2009 EPS			Consensus 3Q 2009		P/E (NTM)
						GS	Consensus	Std. Dev.	YTD Revisions	Yr/Yr Growth	
Wednesday, November 4, 2009											
Consumer Discretionary	Comcast Corp.	CMCSA	Buy	(10)%	\$ 43	\$ 0.25	\$ 0.25	\$ 0.02	(1)%	(4)%	13.6 x
	Time Warner Inc.	TWX	Buy*	41	36	0.56	0.52	0.02	(37)	(44)	13.8
	News Corporation	NWSA	Neutral	34	27	0.18	0.18	0.01	3	(10)	15.6
	Pulte Homes, Inc.	PHM	Neutral	(15)	3	(0.75)	(0.64)	0.30	(218)	42	NM
Consumer Staples	Molson Coors Brewing Co.	TAP	Buy	3 %	\$ 8	\$ 1.00	\$ 0.95	\$ 0.06	(20)%	(0)%	12.9 x
	Whole Foods Market Inc.	WFMI	Neutral	251	5	0.20	0.18	0.02	17	NM	31.9
Energy	Devon Energy Corp.	DVN	Buy	4 %	\$ 30	\$ 0.85	\$ 0.90	\$ 0.09	(24)%	(71)%	13.8 x
	XTO Energy	XTO	Neutral	24	25	0.82	0.84	0.06	(23)	(15)	16.2
	Baker Hughes	BHI	Not Rated	40	14		0.35	0.03	(67)	(73)	28.2
	Murphy Oil	MUR	Neutral	45	12	0.86	0.99	0.08	(27)	(67)	13.1
	El Paso Corp.	EP	Neutral	34	7	0.23	0.22	0.02	(19)	(37)	10.9
Financials	Prudential Financial	PRU	Neutral	59 %	\$ 22	\$ 1.28	\$ 1.33	\$ 0.21	(10)%	80 %	9.4 x
	Allstate Corp.	ALL	Sell	(3)	16	1.01	1.01	0.08	(8)	389	7.3
	Marsh & McLennan	MMC	Buy	6	13	0.28	0.26	0.05	(27)	24	14.3
	Health Care REIT	HCN	NC	14	5		0.77	0.02	(13)	(10)	14.8
Health Care	Becton, Dickinson	BDX	Sell	1 %	\$ 16	\$ 1.25	\$ 1.24	\$ 0.01	(2)%	10 %	13.6 x
	Watson Pharmaceuticals	WPI	Sell	30	4	0.67	0.65	0.02	20	38	13.3
Industrials	Donnelley (R.R.) & Sons	RRD	NC	66 %	\$ 4		\$ 0.45	\$ 0.04	(39)%	(48)%	15.4 x
Information Technology	Cisco Systems	CSCO	Neutral	44 %	\$ 136	\$ 0.25	\$ 0.31	\$ 0.01	(10)%	(26)%	18.0 x
	QUALCOMM Inc.	QCOM	Buy	19	70	0.44	0.52	0.02	(10)	(17)	19.3
	Automatic Data Processing Inc.	ADP	Neutral	5	20	0.53	0.50	0.02	(11)	(7)	17.3
	Microchip Technology Inc.	MCHP	Sell	33	5	0.21	0.21	0.00	(36)	(49)	25.9
Materials	International Flav/Frag	IFF	NC	33 %	\$ 3		\$ 0.71	\$ 0.04	(4)%	(5)%	15.3 x
	Titanium Metals	TIE	NC	2	1		0.03	0.01	(79)	(86)	54.7
Utilities	Integrus Energy Group	TEG	NC	(13)%	\$ 3		\$ 0.31	\$ 0.06	(57)%	140 %	15.3 x
Thursday, November 5, 2009											
Consumer Discretionary	Time Warner Cable	TWC	Neutral	60 %	\$ 14	\$ 0.75	\$ 0.75	\$ 0.03	(7)%	(19)%	12.4 x
	Starbucks Corp.	SBUX	Neutral	106	14	0.21	0.21	0.01	8	110	22.1
	Directv Group	DTV	Not Rated	14	12		0.39	0.02	4	18	14.3
	CBS Corp	CBS	Neutral	58	9	0.22	0.22	0.02	(20)	(45)	18.3
	International Game Technology	IGT	Buy	59	6	0.14	0.16	0.02	(48)	(43)	22.7
	Scripps Network Interactive	SNI	Neutral	74	3	0.39	0.37	0.02	(6)	(10)	21.9
Consumer Staples	CVS Corp.	CVS	Buy*	28 %	\$ 53	\$ 0.64	\$ 0.64	\$ 0.01	(5)%	7 %	12.8 x
	Sara Lee Corp.	SLE	Sell	23	8	0.17	0.18	0.08	(8)	80	12.5
	Dr. Pepper Snapple Group	DPS	Buy	70	7	0.47	0.49	0.02	7	9	13.4
Energy	Spectra Energy Corp.	SE	Buy*	30 %	\$ 13	\$ 0.26	\$ 0.26	\$ 0.03	(17)%	(47)%	15.1 x
	Sunoco., Inc.	SUN	Neutral	(24)	4	(0.25)	(0.04)	0.23	(104)	(101)	24.7
Financials	Public Storage	PSA	Buy	(4)%	\$ 10	\$ 1.23	\$ 1.25	\$ 0.04	(8)%	15 %	15.5 x
	Kimco Realty	KIM	Buy	(24)	5	0.29	0.31	0.01	(47)	(54)	10.7
	NASDAQ OMX Group	NDAQ	Neutral	(23)	3	0.42	0.42	0.01	(21)	(19)	10.0

* Conviction List.

Source: Compustat, First Call, Bloomberg and Goldman Sachs Global ECS Research.

S&P 500 3Q2009 Earnings Calendar – November 2-6 (cont'd)

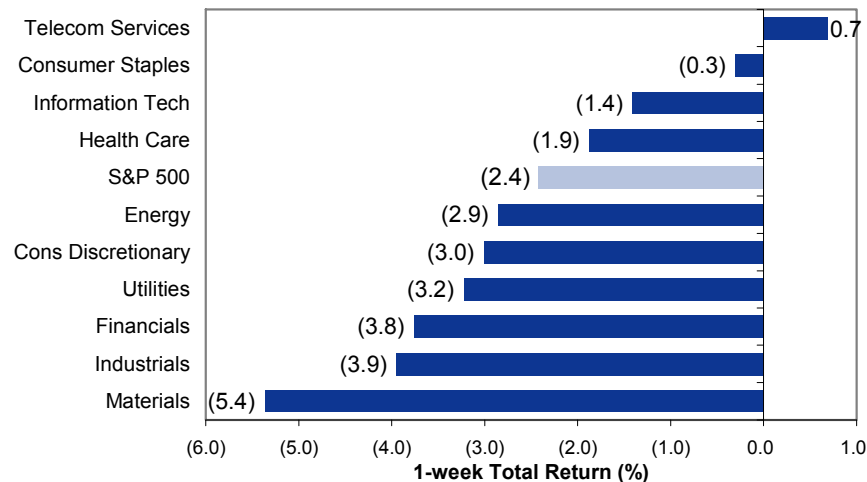
Sector	Company name	Ticker	Rating	YTD Return	Mkt Cap (\$ bil)	3Q 2009 EPS			Consensus 3Q 2009		P/E (NTM)
						GS	Consensus	Std. Dev.	YTD Revisions	Yr/Yr Growth	
Health Care	Cardinal Health, Inc.	CAH	Buy	18 %	\$ 10	\$ 0.42	\$ 0.43	\$ 0.03	(51)%	(42)%	14.2 x
	CIGNA Corp.	CI	Buy*	71	8	0.99	1.03	0.04	4	16	7.1
	Millipore Corp.	MIL	NC	33	4		0.93	0.03	1	0	17.0
	King Pharmaceuticals	KG	Neutral	(3)	3	0.29	0.27	0.03	21	(18)	10.6
Industrials	Quanta Services Inc.	PWR	Buy	10 %	\$ 5	\$ 0.20	\$ 0.21	\$ 0.01	(35)%	(28)%	26.8 x
Information Technology	NVIDIA Corp.	NVDA	Neutral	56 %	\$ 7	\$ 0.08	\$ 0.10	\$ 0.02	(41)%	(50)%	27.9 x
	Teradata Corp	TDC	NC	96	5		0.29	0.02	(13)	(19)	22.8
	VeriSign Inc.	VRSN	Neutral	22	4	0.33	0.32	0.01	(11)	28	17.0
	JDS Uniphase Corp	JDSU	NC	59	1		0.02	0.01	(87)	(82)	30.5
Telecommunication Services	Century Telephone	CTL	Neutral	30 %	\$ 10	\$ 0.84	\$ 0.81	\$ 0.02	2 %	(1)%	10.0 x
	MetroPCS Communications	PCS	Neutral	(56)	2	0.08	0.09	0.02	(51)	(31)	11.2
Utilities	Dynegy Inc.	DYN	NC	3 %	\$ 1		\$ 0.02	\$ 0.02	(79)%	(50)%	NM
Friday, November 6, 2009											
Energy	EOG Resources	EOG	Buy	30 %	\$ 22	\$ 0.77	\$ 0.66	\$ 0.08	(51)%	(72)%	30.0 x
Financials	Leucadia National Corp.	LUK	NC	19 %	\$ 4				NM		NM
Utilities	Edison Int'l	EIX	Neutral	3 %	\$ 10	\$ 1.12	\$ 1.04	\$ 0.06	(25)%	(29)%	9.9 x

* Conviction List.

Source: Compustat, First Call, Bloomberg and Goldman Sachs Global ECS Research.

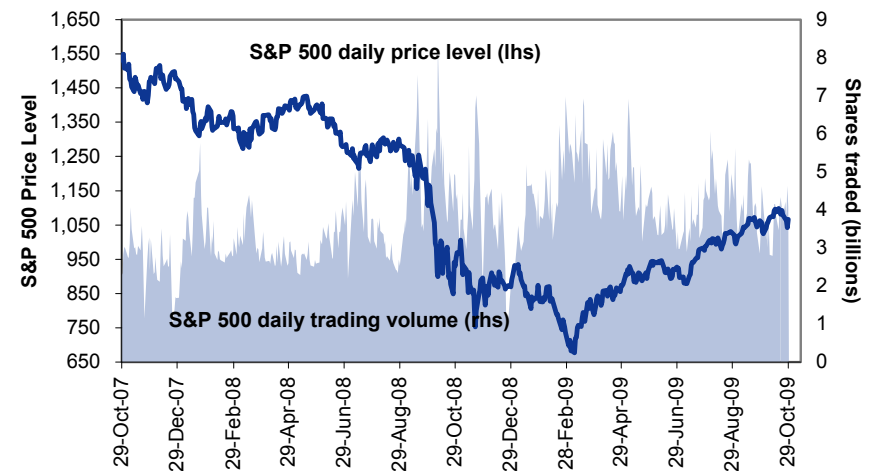
S&P 500 Performance

Exhibit 9: S&P 500 sector performance over the last week
as of October 29, 2009



Source: FactSet and Goldman Sachs Global ECS Research.

Exhibit 10: S&P 500 price return and daily trading volume LTM
as of October 29, 2009



Source: FactSet and Goldman Sachs Global ECS Research.

Exhibit 11: S&P 500 sector performance over time
as of October 29, 2009

	Total Return Percentage Change (%)					
	1-Week	1-Month	3-Month	6-Month	YTD	12-Month
Information Tech	(1)%	2 %	10 %	28 %	49 %	38 %
Materials	(5)	(2)	10	24	36	26
Cons Discretionary	(3)	(0)	11	21	30	32
Financials	(4)	(2)	18	36	20	4
Energy	(3)	6	15	22	15	17
Industrials	(4)	(3)	13	22	13	11
Consumer Staples	(0)	3	8	22	13	14
Health Care	(2)	(1)	2	19	9	12
Utilities	(3)	(2)	1	15	3	7
Telecom Services	1	(2)	(0)	4	(0)	7
S&P 500	(2)%	1 %	10 %	23 %	20 %	18 %

Source: FactSet and Goldman Sachs Global ECS Research.

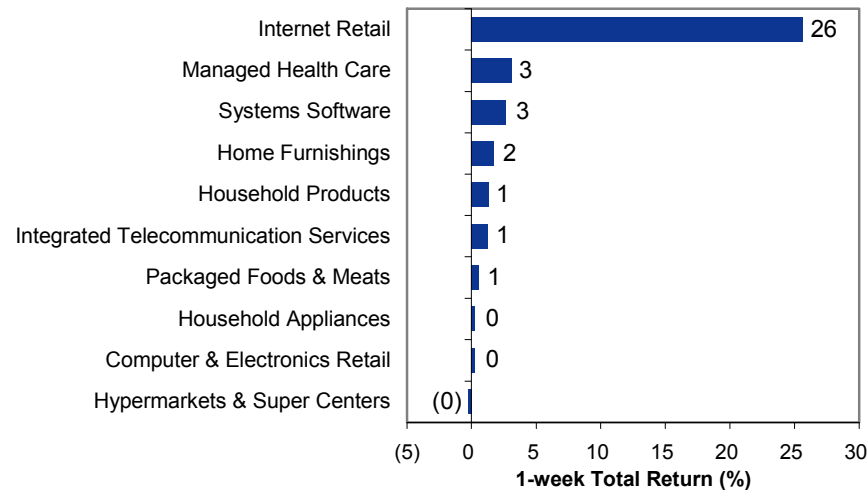
Exhibit 12: BEST and WORST performing S&P 500 STOCKS BY SECTOR
as of October 29, 2009

Sector	Ticker	BEST STOCKS		WORST STOCKS		
		Return (%)		Return (%)		
		1-week	YTD	1-week	YTD	
Cons Discr	AMZN	31 %	139 %	GT	(27)%	118 %
Consumer Staples	TSN	6	51	AVP	(9)	39
Energy	COG	3	59	SII	(14)	29
Financials	TROW	4	47	CBG	(17)	162
Health Care	CVH	12	41	THC	(10)	377
Industrials	NOC	1	15	FSLR	(19)	(8)
Info Tech	MSFT	6	48	WFR	(18)	(11)
Materials	BMS	2	17	AKS	(13)	83
Telecom Services	VZ	4	(6)	S	(9)	69
Utilities	STR	(0)	30	DYN	(13)	3
S&P 500	AMZN	31 %	139 %	GT	(27)%	118 %

Source: FactSet and Goldman Sachs Global ECS Research.

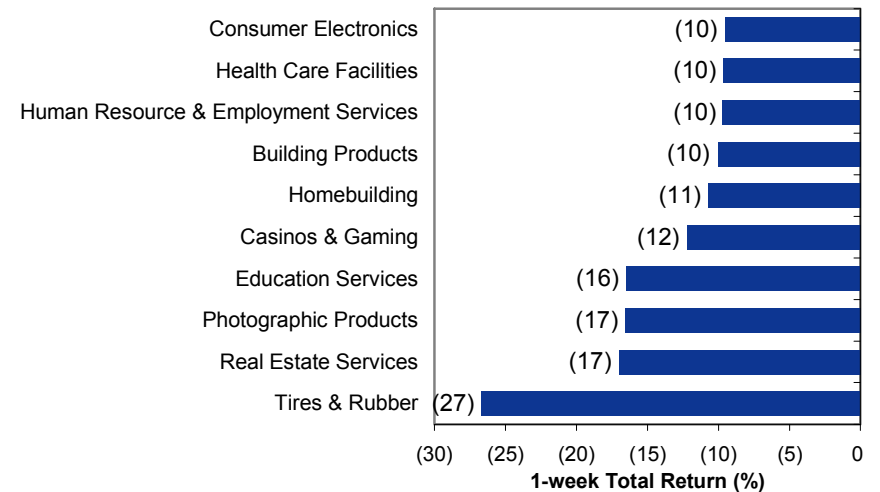
S&P 500 Performance (cont'd)

Exhibit 13: TOP 10 performing SUB-SECTORS over the last week
as of October 29, 2009



Source: FactSet and Goldman Sachs Global ECS Research.

Exhibit 14: BOTTOM 10 performing SUB-SECTORS over the last week
as of October 29, 2009



Source: FactSet and Goldman Sachs Global ECS Research.

Exhibit 15: TOP 10 performing S&P 500 STOCKS over the last week
as of October 29, 2009

Company Name	Ticker	Sector	Return (%)	
			1-week	YTD
Amazon.com	AMZN	Cons Discr	31	139
Coventry Health Care	CVH	Health Care	12	41
RadioShack Corp	RSH	Cons Discr	12	45
Microsoft Corp.	MSFT	Info Tech	6	48
Tyson Foods	TSN	Consumer Staples	6	51
Akamai Technologies Inc.	AKAM	Info Tech	6	51
O'Reilly Automotive	ORLY	Cons Discr	5	23
Symantec Corp.	SYMC	Info Tech	5	31
Motorola Inc.	MOT	Info Tech	5	97
Harris Corp.	HRS	Info Tech	5	20
S&P 500 Average			(4)	34

Source: FactSet and Goldman Sachs Global ECS Research.

Exhibit 16: BOTTOM 10 performing S&P 500 STOCKS over the last week
as of October 29, 2009

Company Name	Ticker	Sector	Return (%)	
			1-week	YTD
Goodyear Tire & Rubber	GT	Cons Discr	(27)	118
Apollo Group	APOL	Cons Discr	(22)	(24)
Gannett Co.	GCI	Cons Discr	(21)	42
First Solar Inc.	FSLR	Industrials	(19)	(8)
New York Times Cl. A	NYT	Cons Discr	(18)	20
MEMC Electronic Materials	WFR	Info Tech	(18)	(11)
Cb Richard Ellis Group Inc	CBG	Financials	(17)	162
Eastman Kodak	EK	Cons Discr	(17)	(47)
Advanced Micro Devices	AMD	Info Tech	(15)	128
KeyCorp	KEY	Financials	(15)	(33)
S&P 500 Average			(4)	34

Source: FactSet and Goldman Sachs Global ECS Research.

Earnings and Sales

Exhibit 17: EARNINGS GROWTH: S&P 500 bottom-up consensus estimates
as of October 29, 2009

	2009E Earnings Growth				Annual	
	1QA	2QE	3QE	4QE	2009E	2010E
Consumer Discretionary	(86)	61	113	NM	69	51
S&P 500	(39)	(19)	(3)	NM	14	36
Health Care	7	1	5	20	8	8
Information Technology	(35)	(21)	3	126	5	32
Utilities	(4)	1	(2)	14	1	11
Consumer Staples	(10)	(1)	(6)	25	1	9
Telecom Services	(9)	(16)	(11)	2	(9)	7
Materials	(76)	(64)	(37)	NM	(19)	71
Industrials	(40)	(37)	(44)	(18)	(35)	11
Energy	(96)	(68)	(73)	56	(67)	86
Financials	NM	NM	NM	NM	NM	158
S&P 500 (ex-Financials)	(43)	(27)	(28)	66	(18)	26

Source: FactSet and Goldman Sachs Global ECS Research.

Exhibit 19: TOP-DOWN vs. BOTTOM-UP: Goldman Sachs vs. Consensus
as of October 29, 2009

	Contribution to EPS				Annual earnings growth rates			
	GS Top-Down EPS		Bottom-up		GS Top-Down		Bottom-Up	
	2009E	2010E	2009E	2010E	2009E	2010E	2009E	2010E
Consumer Discretionary	\$3	\$5	\$4	\$6	35 %	40 %	69 %	51 %
Utilities	3	3	3	3	1	10	1	11
Consumer Staples	8	9	8	9	0	5	1	9
Health Care	10	11	11	12	(2)	10	8	8
Telecom Services	2	3	2	2	(2)	3	(9)	7
Information Technology	8	10	10	13	(15)	20	5	32
Industrials	6	7	6	7	(35)	2	(35)	11
Materials	1	2	1	2	(47)	110	(19)	71
Energy	7	13	5	10	(55)	80	(67)	86
S&P 500 ex-Financials	50	61	52	66	(22)	23	(18)	26
Financials Operating EPS	2	14	4	11	NM	NM	NM	158
S&P 500 Operating EPS	\$52	\$75	\$56	\$77	5 %	45 %	14 %	36 %
+ Provisions & Writedowns	17	6	NA	NA	(46)	(66)	NA	NA
S&P 500 EPS ex-P&W	69	81	NA	NA	(15)	18	NA	NA

Source: FactSet and Goldman Sachs Global ECS Research.

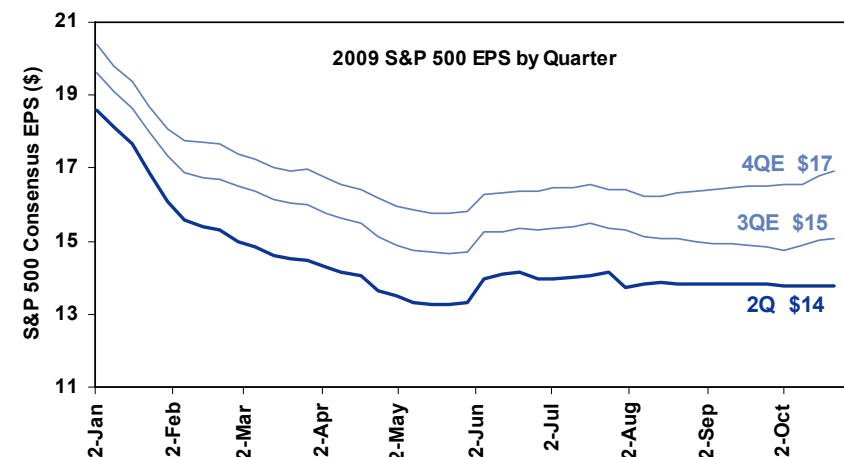
Exhibit 18: SALES GROWTH: S&P 500 bottom-up consensus estimates
as of October 29, 2009

	2009E Sales Growth				Annual	
	1QA	2QE	3QE	4QE	2009E	2010E
Health Care	3	2	0	3	2	5
Telecom Services	1	1	2	3	2	1
Consumer Staples	(4)	(5)	(2)	4	(2)	5
Information Technology	(15)	(17)	(11)	2	(10)	8
Industrials	(11)	(17)	(18)	(9)	(14)	2
S&P 500	(17)	(21)	(18)	(2)	(15)	8
Consumer Discretionary	(22)	(26)	(21)	(14)	(21)	1
Materials	(29)	(31)	(25)	(0)	(22)	12
Energy	(42)	(46)	(41)	0	(35)	29

Note: Analysis excludes Financials and Utilities.

Source: FactSet and Goldman Sachs Global ECS Research.

Exhibit 20: REVISIONS: S&P 500 consensus EPS revisions
as of October 29, 2009



Note: General Motors was removed from the S&P 500 index on June 2, 2009.

Source: FactSet and Goldman Sachs Global ECS Research.

Valuation

Exhibit 21: Aggregate valuation metrics for S&P 500 and sectors
bottom-up consensus valuation, as of October 29, 2009

	EV/ Sales	EV/ EBITDA	Price/ Book	FCF Yield	PEG Ratio	NTM P/E
S&P 500	1.4x	8.1x	2.3x	5.8 %	1.5x	14.7x
Materials	1.5	15.8	2.7	4.4	1.9	17.7
Consumer Discretionary	1.2	7.6	2.3	7.5	1.5	17.0
Information Technology	2.3	10.8	4.0	6.5	1.3	16.2
Industrials	1.8	11.4	2.5	7.8	1.5	15.9
Financials	NM	NM	1.2	NM	1.5	15.4
Energy	1.1	5.2	2.1	NM	2.5	14.5
Consumer Staples	1.2	9.0	3.5	6.4	1.4	14.1
Telecommunication Services	1.7	5.3	1.7	13.9	2.6	13.6
Utilities	NM	7.2	1.5	NM	2.1	11.9
Health Care	1.2	7.7	2.8	8.1	1.3	11.4

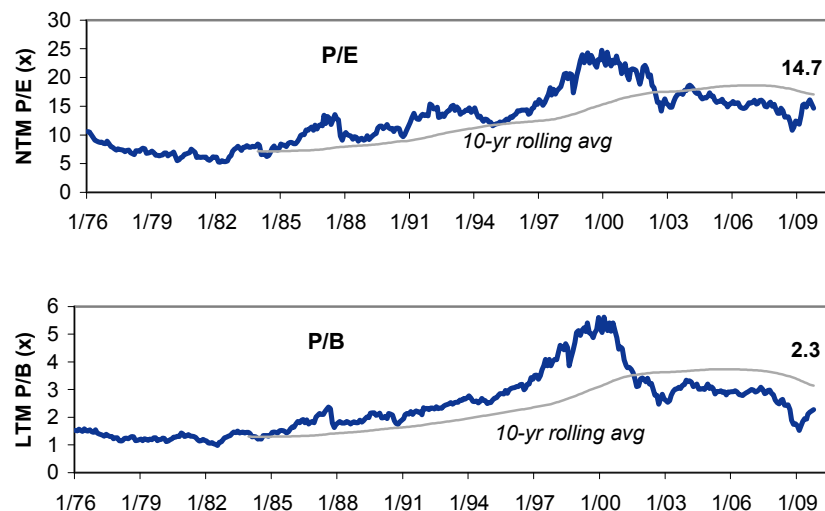
Source: Compustat, First Call via FactSet, and Goldman Sachs Global ECS Research.

Exhibit 22: Standard deviation vs. 10-year history (Z-Score)
bottom-up consensus valuation, as of October 29, 2009

	EV/ Sales	EV/ EBITDA	Price/ Book	FCF Yield	P/E	PEG Ratio	Median Z-Score
S&P 500	(0.9)	(2.4)	(1.1)	(1.0)	(0.5)	2.4	(0.9)
Health Care	(1.8)	(0.8)	(1.0)	(1.8)	(2.4)	(1.6)	(1.7)
Consumer Staples	0.3	1.9	(0.8)	(0.3)	(1.8)	(2.8)	(0.6)
Telecommunication Services	(1.2)	0.9	0.3	(1.0)	(1.1)	(0.1)	(0.5)
Information Technology	(0.1)	(0.1)	0.6	(0.7)	(1.2)	(1.2)	(0.4)
Utilities	NM	1.2	0.4	NM	(0.0)	(0.1)	0.2
Consumer Discretionary	1.8	2.1	1.7	(1.0)	(0.1)	(0.1)	0.8
Industrials	0.7	1.7	0.8	0.2	1.7	1.0	0.9
Energy	0.5	(0.3)	(0.3)	1.5	1.9	2.1	1.0
Financials	NM	NM	(1.1)	NM	2.4	1.7	1.7
Materials	1.9	6.1	1.5	1.0	1.9	1.1	1.7

Source: Compustat, First Call via FactSet, and Goldman Sachs Global ECS Research.

Exhibit 23: Historical NTM P/E and LTM P/B values for the S&P 500
aggregate bottom-up consensus valuation, as of October 29, 2009



Source: Compustat, FactSet, and Goldman Sachs Global ECS Research.

Exhibit 24: Top stocks by fastest 2009 earnings growth and lowest NTM P/E
by sector, as of October 29, 2009

Sector	GROWTH Fastest EPS Growth (%)		VALUE Lowest P/E (x)			
	Ticker	2009E	2010E	Ticker	NTM	Rel to SPX
Cons Discr	CBS	(70)	67	GCI	6.8	0.5
Consumer Staples	AVP	(17)	28	SVU	8.4	0.6
Energy	MRO	(71)	93	COP	8.9	0.6
Financials	BAC	27	98	MBI	2.8	0.2
Health Care	THC	NM	88	HUM	6.7	0.5
Industrials	RHI	(87)	95	LMT	9.5	0.6
Info Tech	ERTS	NM	83	WDC	7.8	0.5
Materials	MWV	(24)	65	OI	8.9	0.6
Telecom Services	PCS	29	70	CTL	10.0	0.7
Utilities	PPL	(13)	88	PPL	9.4	0.6

Source: Compustat, FactSet, and Goldman Sachs Global ECS Research.

S&P 500 Factor Performance

Exhibit 25: S&P 500 factor return ranking for the week ended October 29, 2009 (a)

	Last Week Spread (%)						Last Week	Performance Spread of Top Quintile Less Bottom Quintile (%)						
	(6)	(4)	(2)	0	2	4		Last Five Trading Days					Last Month	Last Quarter
								23-Oct	26-Oct	27-Oct	28-Oct	29-Oct		
Growth Metrics^(b)														
Sales Growth							(2.2)	0.2	(0.4)	(0.5)	(2.2)	0.7	2.9	6.0
EBITDA Growth							(3.0)	(0.2)	(1.0)	(0.4)	(2.1)	0.7	0.9	5.2
EPS Growth							(3.1)	(0.0)	(1.1)	(0.7)	(2.2)	0.9	(0.4)	4.5
GROWTH							(3.1)	(0.0)	(1.1)	(0.5)	(2.2)	0.6	1.2	3.2
Value Metrics^(b)														
P/B							1.4	0.9	0.7	(0.3)	1.1	(1.1)	2.1	(0.7)
EV/DACF							0.9	1.2	(0.1)	(0.7)	0.6	(0.1)	(2.1)	(1.6)
EV/EBITDA							(0.3)	0.8	(0.2)	(0.9)	(0.1)	0.0	(1.2)	1.9
VALUATION							(0.5)	0.7	(0.5)	(1.0)	(0.5)	0.8	(0.6)	3.3
P/div							(1.4)	(0.4)	0.0	(0.8)	(1.4)	1.1	(0.5)	2.9
P/E							(1.7)	0.3	(0.3)	(1.6)	(0.8)	0.7	0.7	7.1
EV/FCF							(1.7)	(0.0)	(1.4)	(0.0)	(1.1)	0.8	(1.3)	1.1
Profitability Metrics^(b)														
PROFITABILITY							3.6	1.2	1.3	0.8	2.0	(1.8)	4.9	(1.4)
ROCE							3.2	1.1	1.1	0.6	1.7	(1.4)	3.7	(2.1)
CROCI							2.3	1.0	1.1	0.3	1.4	(1.4)	4.5	0.3
ROE							2.3	0.5	0.8	1.1	1.8	(2.0)	2.7	(5.2)
Other Metrics^(c)														
Short Interest Level							(5.0)	(1.1)	(0.9)	(1.8)	(2.6)	1.4	(6.3)	3.4
Equity Capitalization							3.7	0.8	0.6	1.0	2.2	(0.8)	4.9	(0.7)

(a) Factor return analysis uses S&P 500 companies included in the Goldman Sachs Americas coverage universe with stock prices greater than \$5 at the time of publication.

(b) Growth, Value and Profitability analysis is based on Goldman Sachs Investment Profile scores ("IP Scores"). Growth, value and profitability metrics are indexed based on composites of several methodologies to determine the stocks percentile ranking within the region's coverage universe. The precise calculation of each metric may vary depending on the fiscal year, industry and region but the standard approach is as follows: Growth is a composite of next year's estimate over current year's estimate, e.g. EPS, EBITDA, Revenue. Return is a year one prospective aggregate of various return on capital measures, e.g. CROCI, ROACE, and ROE. Multiple is a composite of one-year forward valuation ratios, e.g. P/E, dividend yield, EV/FCF, EV/EBITDA, EV/DACF, Price/Book.

(c) "Other metric" analysis based on current, market prices and data sourced from NASDAQ and NYSE via FactSet.

Source: NASDAQ and NYSE via FactSet, IDC, and Goldman Sachs Global ECS Research.

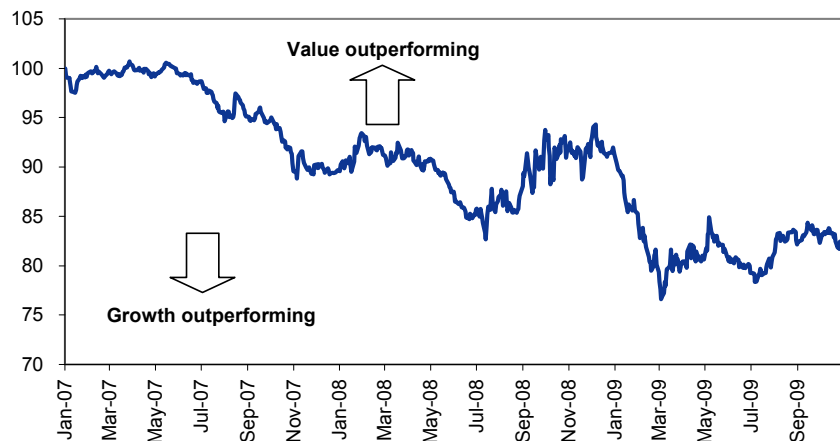
Style and Size

Exhibit 26: Total return by style and size over time
as of October 29, 2009

	Total Return Percentage Change (%)				
	1-Week	1-Month	3-Month	6-Month	YTD
Large Cap vs. Small Cap					
S&P 500	(2)	1	10	23	20
Russell 2000	(5)	(5)	6	19	18
Large vs. Small (bps)	295	551	375	453	277
Growth vs. Value					
Russell 1000 Growth	(2)	1	8	22	28
Russell 1000 Value	(3)	(0)	12	25	15
Growth vs. Value (bps)	87	139	(361)	(222)	1,326

Source: FactSet and Goldman Sachs Global ECS Research.

Exhibit 28: GROWTH vs. VALUE relative performance over time
Russell 1000 Growth vs. Russell 1000 Value, as of October 29, 2009



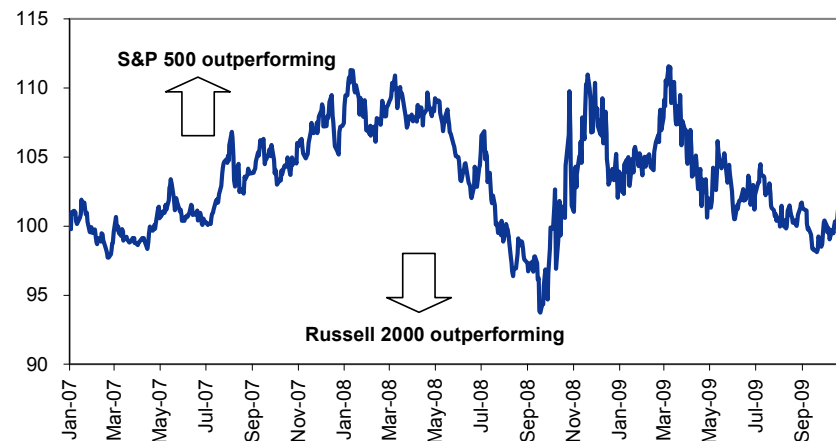
Source: FactSet and Goldman Sachs Global ECS Research.

Exhibit 27: Total return by SECTOR for S&P 500 vs. Russell 2000
as of October 29, 2009

Sector	Weight (%)		1-Week (% Return)			YTD (% Return)		
	SP500	R2000	SP500	R2000	Δ (bps)	SP500	R2000	Δ (bps)
Telecom Services	3	1	1	(6)	661	(0)	11	(1,141)
Cons Discretionary	9	14	(3)	(8)	503	30	50	(1,999)
Energy	12	5	(3)	(8)	480	15	32	(1,653)
Information Tech	19	19	(1)	(5)	385	49	46	268
Health Care	12	14	(2)	(6)	382	9	11	(193)
Consumer Staples	12	3	(0)	(2)	215	13	16	(312)
Industrials	10	16	(4)	(6)	190	13	6	725
Materials	3	4	(5)	(6)	89	36	43	(629)
Utilities	4	3	(3)	(3)	(38)	3	0	303
Financials	15	20	(4)	(3)	(70)	20	(7)	2,626
Index	100	100	(2)	(5)	295	20	18	277

Source: FactSet and Goldman Sachs Global ECS Research.

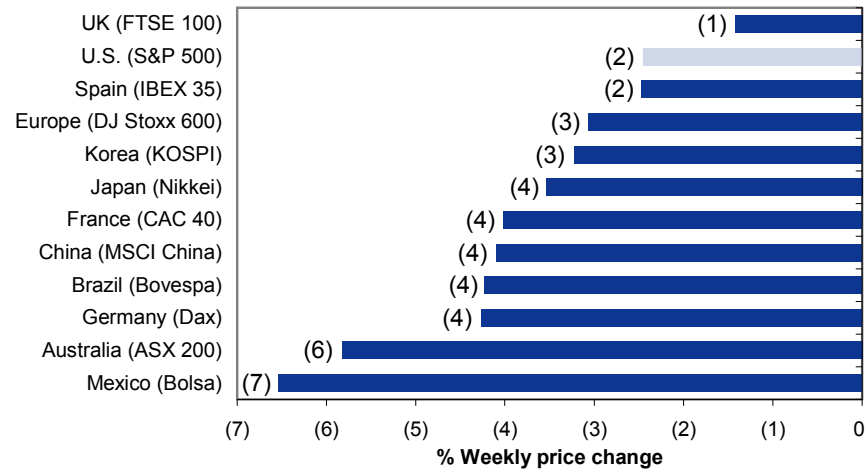
Exhibit 29: LARGE CAP vs. SMALL CAP relative performance over time
S&P 500 vs. Russell 2000, as of October 29, 2009



Source: FactSet and Goldman Sachs Global ECS Research.

Global Equity Market and Mutual Fund Performance

Exhibit 30: GLOBAL EQUITY MARKET performance over the past week
as of October 29, 2009



Source: FactSet and Goldman Sachs Global ECS Research.

Exhibit 32: GLOBAL EQUITY MARKET performance over time
as of October 29, 2009

	Price Return (%) USD				
	1-Week	1-Month	3-Month	2009 YTD	2008
Brazil (Bovespa)	(4)	7	29	128	(55)
Australia (ASX 200)	(6)	1	23	61	(53)
China (MSCI China)	(4)	3	3	55	(51)
Korea (KOSPI)	(3)	(7)	8	49	(56)
Mexico (Bolsa)	(7)	2	11	38	(40)
Spain (IBEX 35)	(2)	0	15	35	(42)
UK (FTSE 100)	(1)	3	14	33	(50)
Europe (DJ Stoxx 600)	(3)	1	16	30	(48)
Germany (Dax)	(4)	(0)	12	24	(43)
France (CAC 40)	(4)	(1)	16	23	(46)
U.S. (S&P 500)	(2)	1	9	18	(38)
Japan (Nikkei)	(4)	(3)	2	11	(29)
Average	(4)	1	13	42	(46)

Source: FactSet and Goldman Sachs Global ECS Research.

Exhibit 31: US EQUITY MUTUAL FUND performance vs. benchmark
as of October 29, 2009

Lipper Indices	Avg. Total Return (%)		Stdev		No. of Funds	AUM \$ bil
	1-week	YTD	1-Week	YTD		
Large-Cap Core Funds	(2.8)	22.3	0.9	6.9	29	NA
Benchmark: S&P 500	(2.4)	20.4				
Out / (Underperformance) (bps)	(35)	188				
Large-Cap Growth Funds	(3.0)	29.9	1.0	9.0	30	227
Benchmark: Russell 1000 Growth	(2.3)	28.4				
Out / (Underperformance) (bps)	(75)	151				
Large-Cap Value Funds	(2.6)	19.5	0.5	5.6	30	221
Benchmark: Russell 1000 Value	(3.1)	15.1				
Out / (Underperformance) (bps)	52	439				
Small-Cap Core Funds	(5.0)	25.7	0.7	8.2	30	91
Benchmark: Russell 2000	(5.4)	17.7				
Out / (Underperformance) (bps)	39	806				

Source: Lipper, FactSet and Goldman Sachs Economics Global ECS Research.

Exhibit 33: International and other MUTUAL FUND performance
as of October 29, 2009

Lipper Indices	Avg. Total Return (%)		Stdev		No. of Funds	AUM \$ bil
	1-week	YTD	1-week	YTD		
International Equity						
Global Funds	(3)	26	1.2	9.4	30	170
International Funds	(4)	32	0.8	10.8	30	322
European Funds	(4)	38	0.7	23.7	10	19
Emerging Market Funds	(4)	66	0.6	8.7	29	NA
Real Estate and Natural Resources						
Real Estate	(3)	17	0.9	10.0	30	27
Natural Resource	(6)	39	0.7	8.9	10	7
Fixed Income						
General U.S. Government Funds Index	(0)	4	0.2	5.3	29	NA
A Rated Bond Funds Index	(0)	13	0.3	8.1	30	NA
BBB Rated Funds Index	(0)	17	0.5	10.9	29	NA

Source: Lipper, FactSet and Goldman Sachs Global ECS Research.

ETF Analysis: Composition, Valuation, Growth, and Ownership

Exhibit 34: Selected ETF analysis for the week ended October 29, 2009 (a)(b)

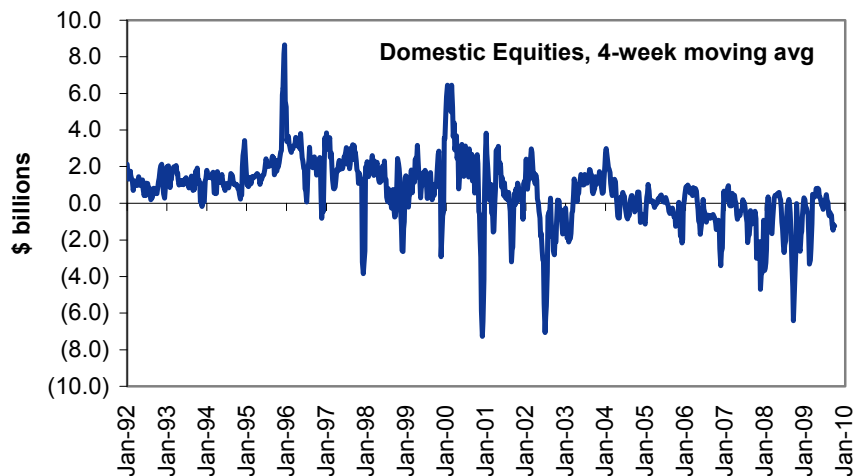
ETF Description			Market Cap \$ mil	Composition			Performance (%)		Valuation			Growth (%)				Ownership		
Sector / sub-sector	Index	ETF		No. of Stocks	Top Stocks as % of ETF			Price Change ^(a)		Valuation			Sales Growth		Earnings Growth		Short Interest Days	Median Hedge Fund Own (%) ^(c)
				1	5	10	1 Wk	YTD	P/E NTM	P/B LTM	Div Yield	2009	2010	2009	2010			
S&P 500	SPX	SPY	69,002	500	4	12	20	(2)	18	15	2.1	2.0	(12)	8	(1)	25	1.8	2.9
S&P 100	OEX	OEF	2,297	100	6	18	31	(2)	15	14	2.3	2.2	(14)	10	(1)	22	1.4	1.9
Nasdaq-100	NDX	QQQQ	16,195	100	16	35	48	(3)	41	18	3.5	0.6	(1)	10	(1)	21	1.8	3.4
Consumer Discretionary	IXY	XLY	1,138	78	8	29	47	(3)	28	17	1.9	1.6	(9)	4	5	34	2.8	3.8
Homebuilders	SPHOME	XHB	784	25	5	23	44	(7)	19	NM	1.4	1.3	(24)	3	NM	NM	3.0	4.0
Retail	IRH	RTH	505	18	20	57	82	0	23	16	2.6	1.6	1	5	(2)	11	1.9	2.9
Retail	SPSIRETR	XRT	464	63	2	10	18	(0)	22	17	2.0	1.0	(5)	4	(2)	18	2.8	6.2
Consumer Staples	IXR	XLP	2,280	41	16	47	66	(0)	10	14	3.1	3.0	0	4	3	8	2.3	2.3
Energy	IXE	XLE	5,547	40	20	49	64	(3)	20	15	2.0	1.8	(37)	25	(58)	43	1.6	3.1
Clean Energy	ECO	PBW	732	52	3	16	30	(8)	18	NM	1.7	0.5	7	35	NM	NM	3.0	3.0
Natural Resources	SPGSSINR	IGE	1,591	124	8	30	45	(5)	32	16	2.0	1.5	(32)	26	(54)	43	1.7	3.9
Oil & Gas E&P	SPSIOP	XOP	413	33	4	17	33	(5)	36	19	1.8	1.0	(40)	25	(62)	54	1.5	4.9
Oil Services	OXH	OIH	2,271	16	16	55	84	(6)	65	14	2.0	0.6	(15)	2	(32)	(7)	1.9	4.1
Financials	IXM	XLF	7,112	79	12	42	56	(4)	18	15	1.2	1.2	NM	NM	NM	73	1.2	3.0
Banks	BKX	KBE	886	24	9	39	60	(6)	0	NM	0.9	1.0	NM	NM	NM	NM	0.8	2.7
Broker-Dealers	DJSINV	IAI	203	26	11	42	65	(4)	44	15	1.4	0.9	NM	NM	NM	200	1.2	2.8
Insurance	KIX	KIE	188	24	7	35	59	(5)	27	11	0.9	1.9	NM	NM	(37)	242	1.1	3.7
Real Estate	DJUSRE	IYR	2,727	74	9	26	42	(3)	11	12	1.7	4.6	NM	NM	(20)	(2)	3.1	3.0
Regional Banks	KRX	KRE	543	50	3	14	27	(1)	(26)	58	0.9	2.2	NM	NM	NM	NM	7.2	2.4
REITs	RMZ	VNQ	3,838	97	10	28	44	(3)	9	12	1.6	4.0	NM	NM	(24)	(3)	3.2	2.9
Health Care	IXV	XLV	1,938	53	14	42	60	(2)	7	11	2.7	2.0	4	6	1	9	2.8	2.9
Biotech	SPSIBI	XBI	381	27	5	22	41	(5)	(11)	NM	4.4	0.0	9	14	NM	NM	2.8	10.7
Pharmaceuticals	IPH	PPH	612	17	25	74	94	(2)	0	11	3.1	3.2	4	10	(2)	9	3.8	2.4
Industrials	IXI	XLI	1,915	59	12	33	49	(4)	12	16	2.3	2.4	(11)	3	(31)	12	2.2	2.1
Transportation	TRAN	IYT	428	20	11	43	69	(6)	5	35	1.7	2.0	(22)	4	(88)	486	2.3	4.3
Information Technology	IXT	XLK	3,815	85	11	41	65	(1)	37	16	3.1	1.6	(4)	5	(2)	20	1.5	3.5
Semiconductors	SPGSTISM	IGW	222	45	9	38	57	(6)	47	24	2.5	1.4	(16)	17	(70)	365	2.3	3.9
Semiconductors	XSH	SMH	747	18	23	69	89	(4)	41	19	2.9	2.0	(16)	15	(43)	150	1.9	3.2
Software	SPGSTISO	IGV	310	41	10	40	60	(3)	38	17	3.2	0.3	(2)	6	1	14	1.8	3.2
Telecom Services	DJSTELT	IYZ	467	32	19	49	70	(3)	7	22	1.5	4.5	(0)	3	NM	34	2.5	4.5
Materials	IXB	XLB	1,692	30	12	48	69	(5)	34	18	2.3	1.9	(23)	10	(55)	73	1.7	2.6
Gold Miners	GDM	GDX	5,098	31	14	44	68	(7)	30	24	2.4	0.5	15	19	66	41	1.3	3.4
Metals & Mining	SPSIMM	XME	767	23	5	26	49	(7)	60	20	1.7	1.2	(33)	14	(93)	NM	1.6	3.6
Steel	STEEL	SLX	287	27	14	49	73	(7)	78	21	1.6	1.6	(44)	23	(91)	484	1.7	2.0
Utilities	IXU	XLU	2,344	35	9	34	56	(3)	(1)	12	1.5	4.5	NM	NM	(4)	7	2.6	2.1

(a) Performance of the underlying index. (b) Valuation, growth and ownership metrics are bottom-up aggregations of consensus forecasts, except where noted. (c) Hedge Fund ownership data based on 2Q 2009 13-f filings.

Source: Compustat, First Call, Lionshare via FactSet, IDC, and Goldman Sachs Global ECS Research. See our Goldman Sachs ETF Bloomberg page <GETFG> or contact the desk at 1-888-ETF-DESK for more information.

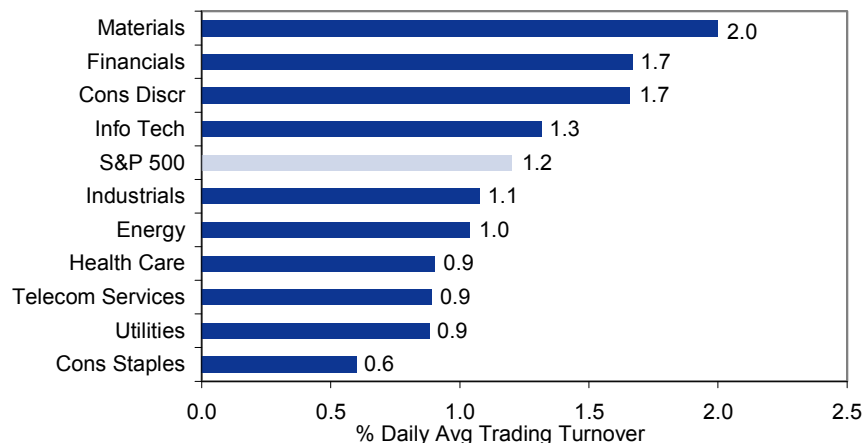
Fund Flows

Exhibit 35: Domestic equity mutual fund flows, 4-week moving average
week ended October 29, 2009



Source: AMG and Goldman Sachs Global ECS Research.

Exhibit 37: Average daily TRADING TURNOVER over the last week
by sector, as of October 29, 2009



Daily average trading turnover = daily avg trading value / avg market cap (over the past 5 trading days).

Source: FactSet and Goldman Sachs Global ECS Research.

Exhibit 36: Weekly mutual fund flows and assets tracked by AMG
week ended October 29, 2009; excluding ETFs

	AMG Weekly Mutual Fund Flows, ex-ETFs (\$ billions)				
	Total AMG Assets	Weekly Flows		1-Week Flow	Inflow/(Outflow)
		4-Week Avg	This week	% of Assets	(Cons. Weeks)
All Equity	1,525	(1)	1	0.1 %	(1)
U.S. Equity	1,118	(1)	0	0.0	(1)
Int'l Equity	300	0	1	0.3	17
Global	107	0	0	0.1	3
Equity Income	71	(0)	(0)	(0.0)	(3)
Gold & Nat Res	23	0	0	0.6	4
Money Market	2,975	(21)	(18)	(0.6)	(3)
All Bonds	747	10	5	0.6	33
Govt Treasury	15	0	0	1.3	6

Source: AMG and Goldman Sachs Global ECS Research.

Exhibit 38: Top ten S&P 500 STOCKS by daily average trading turnover
as of October 29, 2009

Company	Ticker	Sector	Avg Daily Trading Turnover (%)	1-Week Total Return (%)
American Int'l. Group	AIG	Financials	17.8	(13)
United States Steel Corp.	X	Materials	11.5	(12)
AK Steel	AKS	Materials	11.1	(13)
E*Trade Financial Corp.	ETFC	Financials	7.9	(7)
Genworth Financial Inc.	GNW	Financials	7.7	(8)
KB Home	KBH	Consumer Discretionary	7.5	(9)
Goodyear Tire & Rubber	GT	Consumer Discretionary	7.4	(27)
Massey Energy Co.	MEE	Energy	7.3	(7)
RadioShack Corp	RSH	Consumer Discretionary	7.1	12
Ciena Corp.	CIEN	Information Technology	7.0	(9)
S&P 500 Average			1.7	(4)

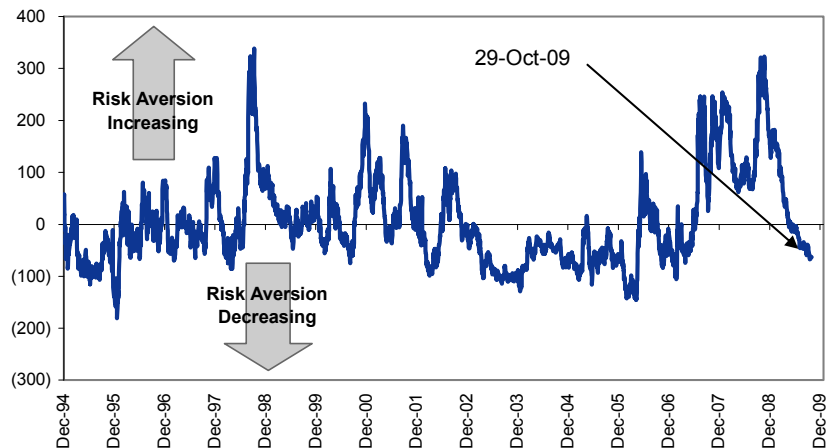
Daily average trading turnover = daily avg trading value / avg market cap (over the past 5 trading days).

Source: FactSet and Goldman Sachs Global ECS Research.

Risk and Dispersion

Exhibit 39: Goldman Sachs Risk Barometer

Index is number of standard deviations from the average * 100

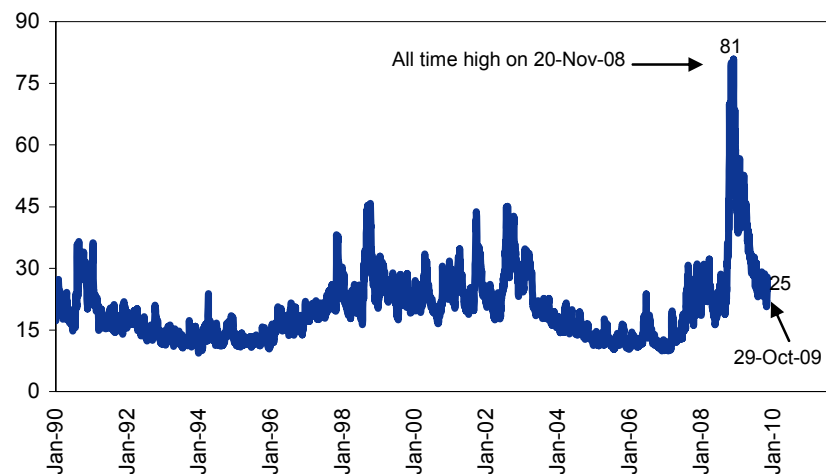


Note: metrics included are implied option volatility (S&P 500 and Nasdaq 100), normalized skew, high yield credit spreads, credit derivative swap spreads, mutual fund net flows, and cash levels.

Source: Goldman Sachs Research.

Exhibit 40: VIX Volatility Index

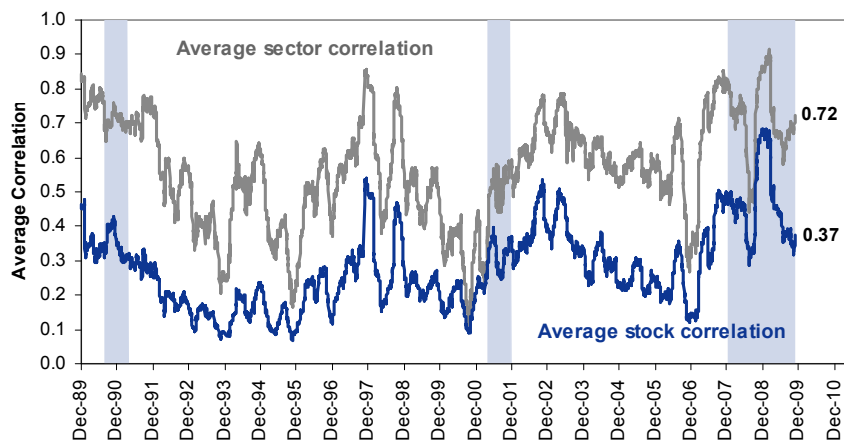
as of October 29, 2009



Source: Goldman Sachs Global ECS Research.

Exhibit 41: S&P 500 stock and sector average correlation

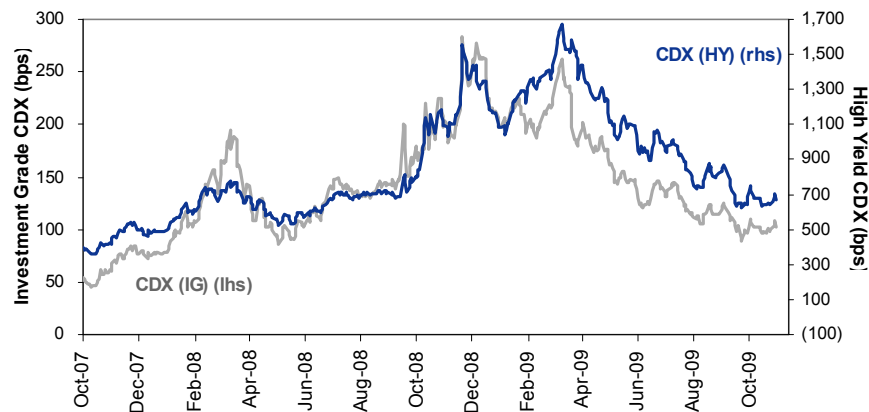
as of October 29, 2009



Source: Goldman Sachs Global ECS Research.

Exhibit 42: Credit Default Swaps, 5-Year On-the-run Spreads

as of October 29, 2009



Source: Goldman Sachs Global ECS Research.

Goldman Sachs Recommendations and Forecasts

Exhibit 43: Goldman Sachs Recommended Sector Weightings
as of October 29, 2009

Sectors	Total Return YTD	Sector Weightings			GS Alpha YTD
		Goldman Sachs Recommended Sector Weightings	Current S&P 500 Weight	GS Overweight / Underweight	
Energy	15 %	Overweight	12 %	300 bp	(0)bp
Materials	36		3	200	(1)
Financials	20		15	200	13
Information Technology	49		19	100	(0)
Industrials	13		10	100	1
Utilities	3	Neutral	4	0	13
Consumer Discretionary	30		9	0	(14)
Telecom Services	(0)	Underweight	3	(200)	14
Health Care	9		12	(300)	(17)
Consumer Staples	13		12	(400)	(14)
S&P 500	20 %		100 %	0 bp	(6)bp

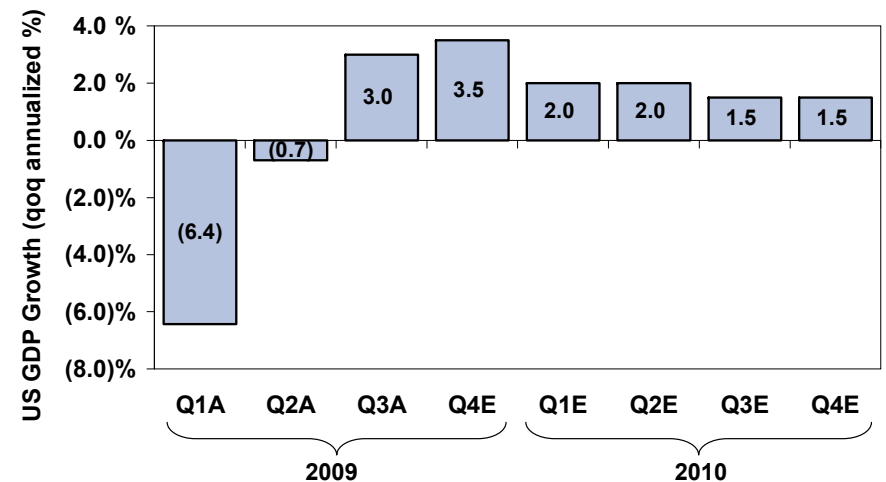
Source: Goldman Sachs Global ECS Research. (a) Sector weightings last rebalanced 20-July-09.

Exhibit 45: Goldman Sachs COMMODITY and CURRENCY forecasts
as of October 29, 2009

	units	Current	Forecasts		
			3m	6m	12m
Energy					
WTI Crude Oil	\$/bbl	79.87	85.00	87.50	94.00
NYMEX Nat. Gas	\$/mmBtu	5.06	6.50	7.00	7.70
RBOB Gasoline	\$/gal	2.02	2.14	2.34	2.36
Industrial Metals					
LME Copper	\$/mt	6665	6970	7000	7400
London Gold	\$/troy oz	1046	960	960	960
London Silver	\$/troy oz	16.33	15.60	15.50	16.00
Currencies					
Euro / US Dollar	EUR/\$	1.48	1.55	1.55	1.35
US Dollar / Yen	\$/¥	91.4	98.0	98.0	105.0
Sterling / US Dollar	£/\$	1.66	1.85	1.85	1.61

Source: Goldman Sachs Global ECS Research.

Exhibit 44: Goldman Sachs US Economics quarterly GDP forecasts
as of October 29, 2009



Source: Goldman Sachs Global ECS Research.

Exhibit 46: Goldman Sachs US Economics forecasts
as of October 29, 2009

	% Annual Change		
	2008A	2009E	2010E
Real GDP	0.4%	(2.5)%	2.0%
Consumer Spending	(0.2)	(0.6)	1.0
Total Fixed Investment	(5.1)	(19.0)	(2.4)
Business Fixed Investment	1.6	(18.5)	(6.0)
Residential Investment	(22.9)	(20.7)	10.6
Federal Government Spending	7.7	6.0	6.9
Exports of Goods and Services	5.4	(11.0)	7.1
Imports of Goods and Services	(3.2)	(15.3)	3.6
Core CPI	2.3	1.7	0.6
Unemployment Rate	5.8	9.2	10.3
Fed Funds Rate	0.2	0.2	0.2
2-year Treasury Rate	1.0	1.3	1.6
10-year Treasury Rate	2.3	3.1	3.0

Source: Goldman Sachs Global ECS Research.

Goldman Sachs Strategy Baskets¹

U.S. Portfolio Strategy baskets are designed to provide portfolio managers with vehicles to monitor and implement thematic views in the U.S. equity markets. **Our baskets may be found on Bloomberg by typing <GSSU5>**. The Bloomberg page provides real-time basket performance and current basket constituents.

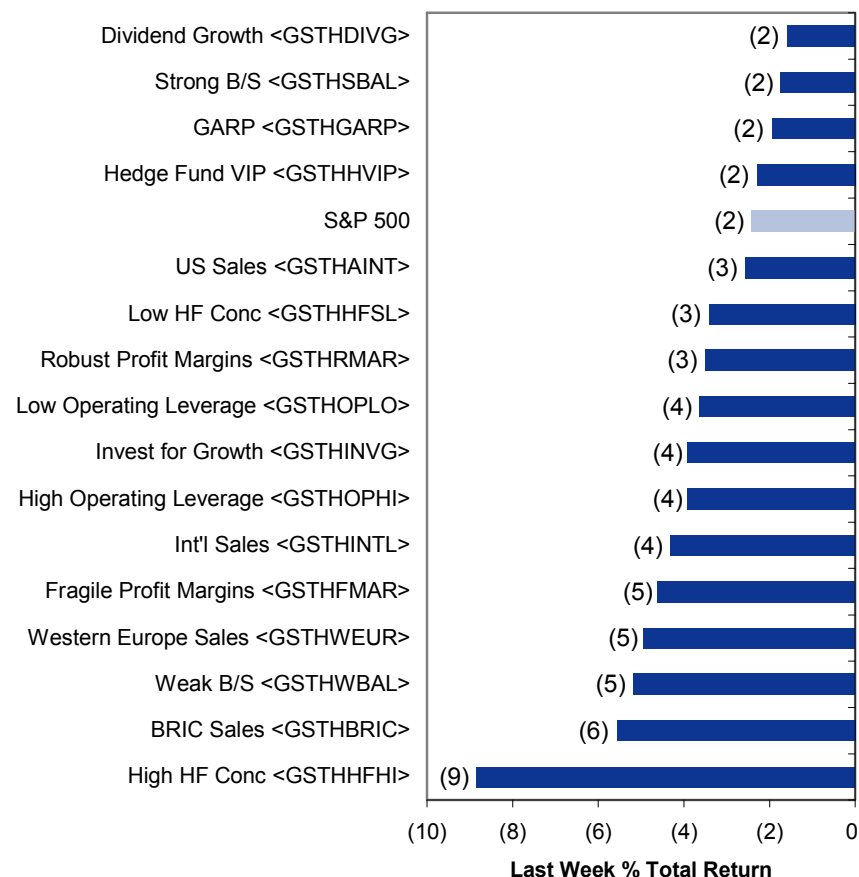
To obtain access to our baskets on Bloomberg, please contact your Goldman Sachs salesperson.

Exhibit 47: Strategy basket summary performance and valuation data
as of October 29, 2009

	Bloomberg Ticker	Total Return %			P/E	P/B	Div Yld
		1 wk	1 mo	YTD	NTM	LTM	(%)
Macroeconomic Baskets							
International Sales	GSTHINTL	(4)%	(0)%	37 %	18x	4.4x	1.8 %
US Sales	GSTHAINT	(3)	1	15	17	3.3	1.8
Western Europe Sales	GSTHWEUR	(5)	(3)	41	16	3.7	0.9
BRICs Sales	GSTHBRIC	(6)	(3)	47	18	4.0	1.1
Strong Balance Sheet	GSTHSBAL	(2)	2	32	21	5.9	1.1
Weak Balance Sheet	GSTHWBAL	(5)	(3)	58	20	3.2	1.9
Robust Profit Margins	GSTHRMAR	(3)	(2)	23	16	5.7	1.4
Fragile Profit Margins	GSTHFMAR	(5)	(2)	30	21	2.9	0.8
High Op Leverage	GSTHOPHI	(4)	2		24	4.5	1.4
Low Op Leverage	GSTHOPLO	(4)	(0)		16	5.3	2.0
Hedge Fund Baskets							
High HF Concentration	GSTHHFHI	(9)%	(7)%	65 %	16x	3.4x	0.9 %
Low HF Concentration	GSTHHFSL	(3)	(2)	14	19	2.8	2.9
Hedge Fund VIP	GSTHHVIP	(2)	1	33	17	4.7	1.3
Valuation Baskets							
GARP	GSTHGARP	(2)%	1 %	33 %	18x	4.4x	0.8 %
Use of Cash Baskets							
Dividend Growth	GSTHDIVG	(2)%	1 %	11 %	14x	6.2x	3.4 %
Invest for Growth	GSTHINVG	(4)	(3)		18	4.7	1.5
S&P 500		(2)%	1 %	20 %	15x	2.3x	2.0 %
S&P 500 Average		(2)	1	20	17	3.4	1.8

Source: Bloomberg and Goldman Sachs Global ECS Research.

Exhibit 48: Strategy basket total return performance over the last week
as of October 29, 2009



Source: Bloomberg and Goldman Sachs Global ECS Research.

¹ The ability to trade these baskets will depend upon market conditions, including liquidity and borrow constraints at the time of trade.

What to buy now: BRICs Sales Basket <GSTHBRIC>

Exhibit 49: Buy BRICs Sales Basket <GSTHBRIC>

as of October 29, 2009

Company	Ticker	Rating	Sales	
			Non-US	BRICs
Information Technology (20% of the Basket)				
Sohu.com Inc.	SOHU	Neutral	100 %	100 %
Genpact Ltd	G	Neutral	100	81
Marvell Technology Group Ltd.	MRVL	Buy*	96	66
Fairchild Semiconductor Internation	FCS	NC	91	63
NVIDIA Corp.	NVDA	Neutral	92	62
Novellus Systems	NVLS	Sell*	74	59
Cree Inc.	CREE	NC	82	59
Silicon Laboratories Inc.	SLAB	NC	87	59
Basket median			91 %	63 %
Sector median			51	0
Health Care (14% of the Basket)				
Mylan Laboratories	MYL	Buy	38 %	24 %
Pfizer, Inc.	PFE	Buy*	52	19
Waters Corporation	WAT	NC	68	17
Varian Medical Systems	VAR	NC	51	16
Bristol-Myers Squibb	BMJ	Neutral	44	11
Schering-Plough	SGP	Not Rated	64	11
Illumina Inc.	ILMN	Neutral	43	10
Basket median			51 %	16 %
Sector median			36	0
Consumer Staples (13% of the Basket)				
Central European Distribution Corp.	CEDC	NC	99 %	99 %
Avon Products	AVP	Sell	78	52
Bunge Ltd.	BG	NC	76	39
Corn Products International Inc.	CPO	NC	70	33
Philip Morris Intl	PM	Buy	100	30
PepsiAmericas Inc.	PAS	Not Rated	24	19
Coca-Cola Co.	KO	Buy	67	14
Basket median			76 %	33 %
Sector median			24	0
Energy (13% of the Basket)				
Atwood Oceanics Inc.	ATW	Neutral	93 %	32 %
Global Industries Ltd.	GLBL	NC	69	20
Pride International Inc.	PDE	Neutral	83	19
Helmerich & Payne Inc.	HP	Neutral	21	15
Schlumberger Ltd.	SLB	Buy	77	14
Dresser-Rand Group Inc.	DRC	Neutral	100	13
Seahawk Drilling Inc.	HAWK	NC	NA	NA
Basket median			80 %	17 %
Sector median			34	0

Company	Ticker	Rating	Sales	
			Non-US	BRICs
Financials (11% of the Basket)				
Citigroup Inc.	C	Not Rated	55 %	25 %
Morgan Stanley	MS	Neutral	57	21
ProLogis	PLD	Sell	43	12
Franklin Resources	BEN	Buy	35	10
White Mountains Insurance Group I	WTM	NC	36	6
Bank of New York	BK	Neutral	32	5
Bank of America Corp.	BAC	Buy*	11	4
Basket median			36 %	10 %
Sector median			4	0
Industrials (9% of the Basket)				
Copa Holdings S.A. (CI A)	CPA	NC	100 %	69 %
Expeditors Int'l	EXPD	NC	80	58
Avery Dennison Corp.	AVY	NC	63	23
Boeing Company	BA	Neutral	41	23
Emerson Electric	EMR	Neutral	52	21
Basket median			63 %	23 %
Sector median			34	0
Consumer Discretionary (8% of the Basket)				
Central European Media Enterprise:	CETV	Neutral	100 %	100 %
CTC Media Inc.	CTCM	Buy	100	100
Las Vegas Sands Corp.	LVS	RS	67	67
Yum! Brands, Inc	YUM	Buy	50	21
Basket median			83 %	83 %
Sector median			20	0
Materials (5% of the Basket)				
Newmont Mining Corp. (Hldg. Co.)	NEM	NC	71 %	48 %
Mosaic Co.	MOS	Neutral	65	35
Basket median			68 %	42 %
Sector median			42	0
Utilities (4% of the Basket)				
AES Corp.	AES	NC	81 %	68 %
Duke Energy	DUK	Neutral	9	8
Basket median			45 %	38 %
Sector median			0	0
Telecommunication Services (3% of the Basket)				
NII Holdings Inc.	NIHD	Neutral	100 %	46 %
American Tower Corporation	AMT	Buy	13	4
Basket median			56 %	25 %
Sector median			0	0
GSTHBRIC median			68 %	23 %
S&P 500 median			25	0

*Goldman Sachs Global Investment Research Conviction List.

Source: Company 10-K filings, Compustat and Goldman Sachs Global ECS Research.

Recent US Portfolio Strategy Publications

Please contact your Goldman Sachs salesperson for access to additional research or if you wish to be added to the US Portfolio Strategy research distribution list.

Exhibit 50: Recent research from US Portfolio Strategy

Latest Market Research		Publication Date	
US Equity Views: Money Flow: myths and realities surrounding potential equity inflows		October 25, 2009	
US Equity Views: 3Q Earnings Preview - Focus on top-line results		October 7, 2009	
US Equity Views: The Multiple Mystery - At what P/E should the market trade?		October 1, 2009	
US Thematic Views: GARP Update		October 1, 2009	
Macro to Micro Shift Part II: 2H 2009 update		July 20, 2009	
US Equity Views: 2Q 2009 Earnings preview: Shifting focus to ex-Financials results		July 6, 2009	
US Equity Views: Equity Issuance: \$100 billion YTD; we expect another \$200 billion		June 1, 2009	
US Sector Views: The GM effect: EPS and valuation impact if GM exits the S&P 500		May 28, 2009	
US Equity Views: Signposts point to more upbeat outlook; boosting cyclical exposure		May 4, 2009	
Franchise Research		Publication Date	
Global: Portfolio and Credit Strategy: Relative value: Credit now in-line with equity		October 9, 2009	
Global Dividend Swap Monitor (September 2009): How steep is still cheap? Upside to long-dated dividends		September 30, 2009	
Investing for Growth: Capex and R&D		August 31, 2009	
Hedge Fund Trend Monitor: Fund re-risking: Net long exposure rises to pre-Lehman levels		August 24, 2009	
S&P 500 Beige Book: 2Q earnings themes: preparation for growth and the inventory cycle		August 5, 2009	
Periodical Research	Description	Frequency	Timing / Recent Release
US Weekly Kickstart	Five minute guide to the US equity market	Weekly	Friday PM
US Tradesheet	Two-pager on recommended trades and US market data	Weekly	Monday AM
S&P 500 Beige Book	Qualitative assessment of S&P 500 quarterly earnings reports	Quarterly	August 5, 2009
US Monthly Chartbook	Monthly report on where to invest in the S&P 500	Monthly	October 2, 2009
Where to Invest Now	Marketing presentation highlighting recent research and best trade ideas	Monthly	September 18, 2009
Hedge Fund Trend Monitor	Analysis of hedge fund holdings and positioning	Quarterly	August 24, 2009
Strategy Baskets	Overview of US Portfolio Strategy thematic baskets	Quarterly	August 19, 2009

Source: Goldman Sachs Global ECS Research.

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