

## United States: Portfolio Strategy

# US Weekly Kickstart

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

The peak week of 3Q reporting season saw the S&P 500 fall by 1%. One-third of firms have beat on sales but 62% on EPS. We remain focused on the stark contrast between 3Q results of “intermediary goods” firms and results of “end demand”-oriented companies. The gap in positive sales surprises between intermediary and end demand firms (51% vs. 26%) is the widest since our data set begins in 2000.

#### Performance

The S&P 500 was flat this week as 3Q earnings results came in generally better-than-expected but labor market data disappointed. Utilities and Energy were the best performing sectors this week, both up 1%. Our 2009 year-end price target of 1060 implies 2% downside 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 13% increase in 2009 to \$56, and a 37% increase in 2010 to \$76.

#### Valuation

Top-down, the S&P 500 trades at an NTM P/E of 15.4X (13.8X on pre-provision EPS). Bottom-up, it trades at NTM P/E of 15.3X and LTM P/B of 2.3X.

#### Size and style

Large-cap (S&P 500) outperformed small-cap (Russell 2000) by 128 bp over the past week and has underperformed by 92 bp ytd. Large-cap Info Tech outperformed small-cap Info Tech by 275 bp this week, but has underperformed by 332 bp YTD.

#### US Portfolio Strategy baskets

Our Operating Leverage trade (long <GSTHOPHI> and short <GSTHOPLO>) rose 103 bps this week. Our BRICs sales basket <GSTHBRIC> outperformed the S&P 500 by 55 bps and has now outperformed by 32 pp YTD. We continue to recommend both of these trades through the 3Q 2009 earnings season.

#### S&P 500 stock performance this week

Leaders: NYT, L XK, RX, SLM, PNC.  
Laggards: MI, BSX, STT, MU, ATI.

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## Conversations we are having with clients: 3Q earnings season

**After rising 7% during the first two weeks of earnings season to a high of 1098 on Monday, the S&P 500 rally faded, falling 1% on the week to 1080.** So far, 3Q EPS results have posted one of the strongest quarters on record with 57% of companies beating consensus estimates by at least one standard deviation. However, we still await positive news from companies tied to “end demand” and remain skeptical that positive surprises among the “intermediary goods” companies reflect a sustained economic recovery.

199 stocks representing 56% of S&P 500 equity cap have announced 3Q earnings results. **Next week, 154 stocks are scheduled to report results accounting for 23% of S&P 500 equity capitalization.** 62% of the Energy sector will report, led by Integrated Oil & Gas stocks Exxon (XOM), Chevron (CVX), and ConocoPhillips (COP). Consumer Staples Procter & Gamble (PG) and Colgate-Palmolive (CL) both report on Thursday.

**More companies are beating sales expectations in 3Q compared with 2Q 2009, but top-line surprises are still trending below average.** 156 stocks have reported, representing 41% of sales, 33% of earnings, and 54% of the equity cap of the S&P 500 ex-Financials and Utilities. So far, just 33% of firms beat consensus sales expectations by one standard deviation, below the 40% average of the past 22 quarters.

41 companies have positively surprised by one standard deviation or more on both the top- and bottom-line, but there is a heavy sector bias. **Half of the “revenue beaters” are Information Technology stocks.** The average revenue beater gained 6% since the start of earnings season outperforming the average S&P 500 ex-Financials and Utilities stock, which returned 4%.

**Earnings trends:** Cost cutting has allowed many companies to use margins as a shock absorber to compensate for weak sales activity and report bottom-line EPS above consensus. 57% of companies reporting have beaten the First Call mean consensus EPS estimates by more than one standard deviation (above the historical average of 42% over the past 22 quarters) while 7% have missed estimates (vs. average of 16%). The average EPS surprise has been 18%, above the 5% historical average. Excluding Financials, there are more positive surprises (60%) and fewer negative surprises (4%).

After posting record Selling, General, and Administrative (SG&A) cost cuts in 2Q 2009 (-5.7%), firms appear to be trimming their costs at a slower rate in 3Q, with the median company cutting 4.0% of SG&A.

**Six companies missed on the top-line but still beat on the bottom-line through cost cutting.** These stocks are all classified in two subsectors, Aerospace & Defense (GR, HON, and LMT) and Packaged Foods & Meats (CAG, HSY, and MKC). The average cost-cutter underperformed the average S&P 500 stock since the start of earnings season.

**We remain focused on the stark contrast between the 3Q results of companies that produce *intermediary goods* and the 3Q results of firms that are most closely associated with *end demand*.**

We acknowledge that the 33% positive sales surprise run-rate for S&P 500 companies represents a sequential improvement over last quarter’s 24% positive sales surprises. However, this improvement is due mostly to the stronger results posted by *intermediary* companies, of which 51% have beaten the consensus sales estimate by at least one standard deviation. Just 30% of *raw materials* companies have beaten sales estimates, and only 26% of *end demand* stocks have surprises positively.

**The gap in positive sales surprises between *intermediary* and *end demand* companies (51% vs. 26%, or 25pp) is now wider than it has even been since our data set begins in 2000.** We interpret this result to mean that the inventory restocking cycle is more powerful than most analysts had expected heading into the 3Q earnings season. However, earnings results are not providing an incrementally positive view on end demand, which will ultimately be necessary for the economy to grow.

Similarly, the current 3Q run-rate of 14% sales misses for the S&P 500 is better than the 25% posted last quarter. This improvement is due to a much lower miss rate among *raw materials* (10% in 3Q vs. 34% in 2Q) and *intermediary* (2% in 3Q vs. 31% in 2Q). Unfortunately, end demand companies are still posting substantial misses (19% in 3Q vs. 23% in 2Q).

**The market has rewarded raw materials and intermediary companies more than end demand stocks so far this earnings season.** Raw materials stocks have posted an average 2.3% sales surprise and outperformed the market by 686 bp on average in October. Intermediary stocks have posted an average 1.9% sales surprise and outperformed by 23 bp. End demand companies that have reported 3Q results have posted the weakest average sales surprise, just 0.1%, and outperformed by 8 bp.

Energy has performed best this month, boosted by a median EPS surprise of 12%. Financials have posted the strongest results, with a median EPS surprise of 15%, but the sector lagged the market by 100 bp this month.

# The charts we are watching: The search for end demand continues

**Exhibit 1: Few "End Demand" companies are beating sales estimates**

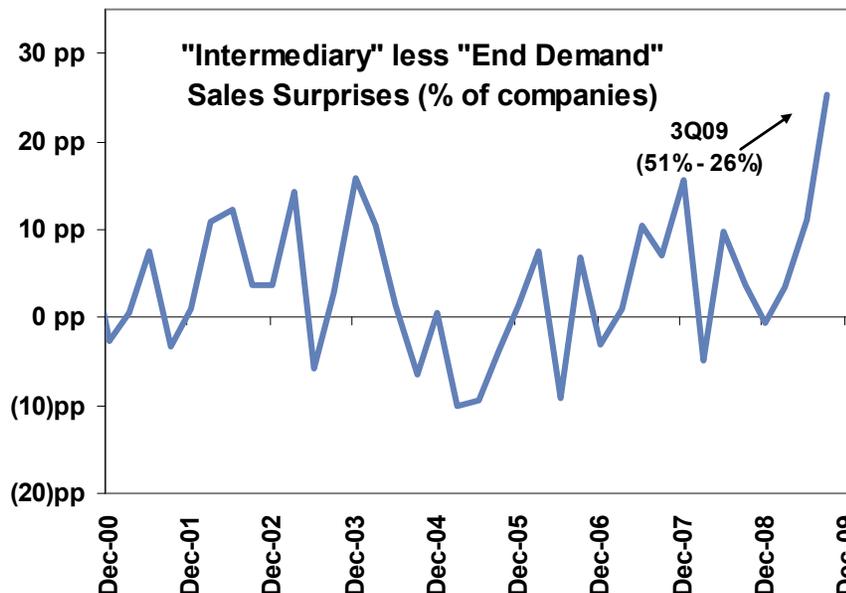
	# of Co's	3Q Surprises				Average Return	
		Positive		Negative		Since Report	Since 30-Sep
		Sales	Earnings	Sales	Earnings		
Raw Materials	10	30%	40%	10%	10%	(125)bp	686 bp
Intermediary Goods	43	51	74	2	2	(2)	23
<b>End Demand</b>	<b>104</b>	<b>26</b>	<b>57</b>	<b>19</b>	<b>5</b>	<b>(78)</b>	<b>8</b>
<b>Total</b>	<b>157</b>	<b>33%</b>	<b>61%</b>	<b>14%</b>	<b>4%</b>	<b>(60)bp</b>	<b>55 bp</b>

	# of Co's	Stage-of-Processing Split			Median Surprise	
		Raw	Mid	End	Sales	Earnings
Sales Beats	52	6%	42%	52%	5 %	16%
Earnings Beats	95	4	34	62	1	13
Sales In-Line	83	7	24	69	0 %	6%
Earnings In-Line	55	9	18	73	(0)	
Sales Misses	22	5	5	91	(3)%	0%
Earnings Misses	7	14	14	71	(5)	
<b>Total (# of stocks)</b>	<b>157</b>	<b>10</b>	<b>43</b>	<b>104</b>	<b>0 %</b>	<b>9%</b>

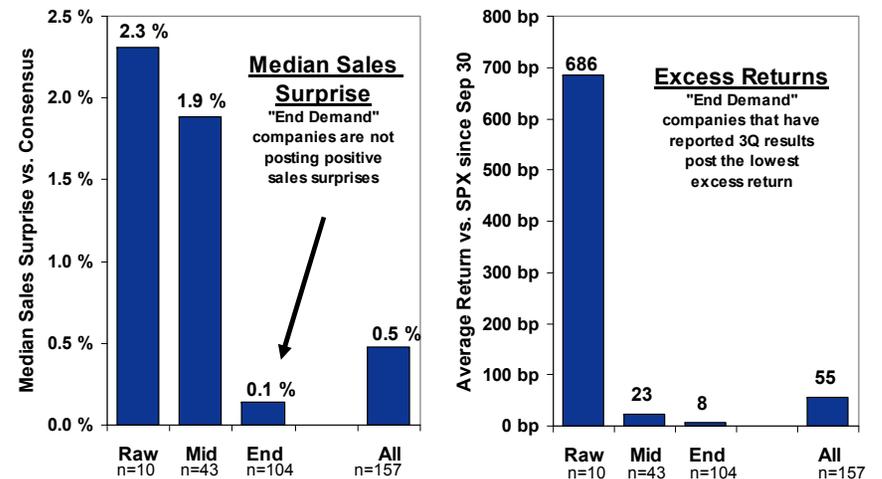
Source: Compustat, I/B/E/S, and Goldman Sachs Global ECS Research.

**Exhibit 3: Intermediary goods ("Mid") companies are posting their strongest quarter of sales surprises relative to "End Demand" companies**



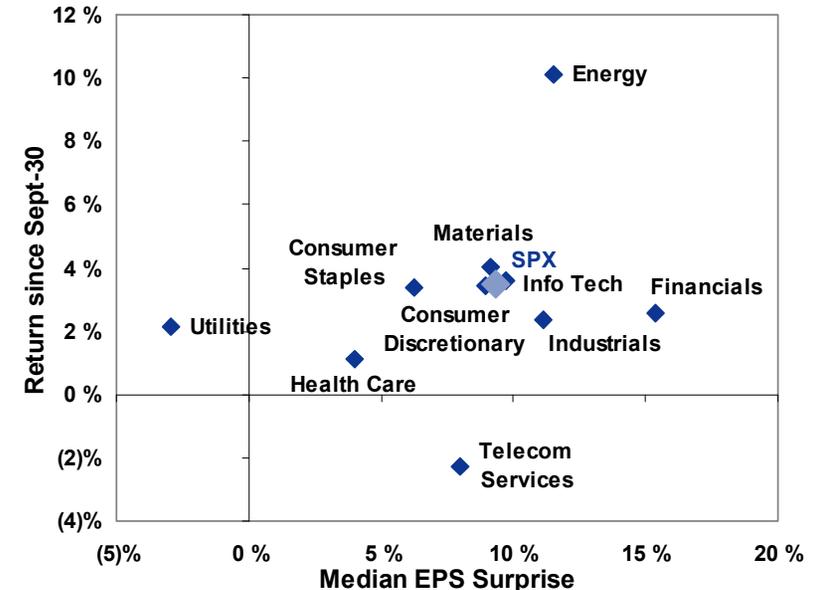
Source: Compustat, I/B/E/S, and Goldman Sachs Global ECS Research.

**Exhibit 2: "Raw" and "Mid" companies are outperforming the market**



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

**Exhibit 4: Energy has the best return MTD, reflecting the strong earnings surprises by the companies that have reported so far**



Source: Goldman Sachs Global ECS Research.

# The charts we are watching: 3Q 2009 Earnings Season

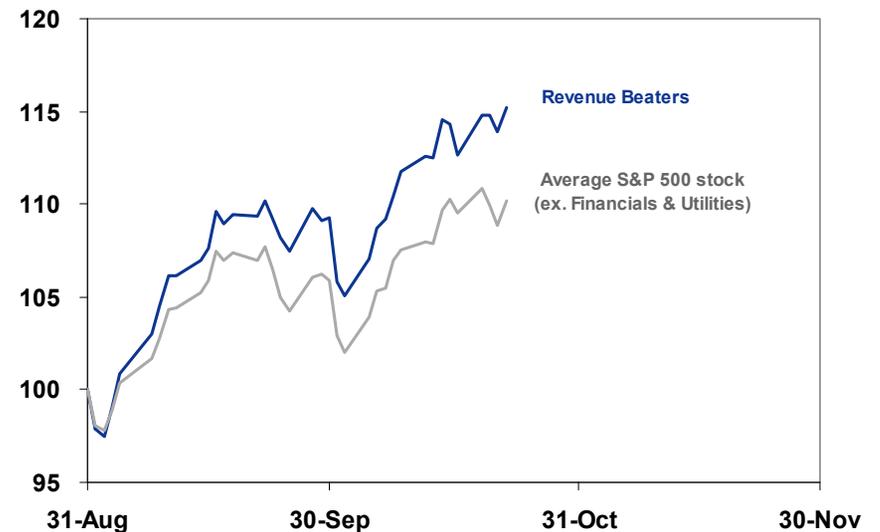
**Exhibit 5: Companies beating on earnings but not revenues**

## 3Q 2009 Results (ex. Financials and Utilities)

157 Stocks		Earnings Surprise			Total
		Positive	Inline	Negative	
Revenue Surprise	Positive	26%	7%	0%	33%
	Inline	32%	20%	2%	54%
	Negative	4%	7%	2%	13%
Total		62%	34%	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: IDC via Factset and Goldman Sachs Global ECS Research.

**Exhibit 7: Of the 97 stocks (62%) beating consensus 3Q EPS estimate by more than 1 standard deviation . . .**

### 3Q 2009 Revenue and Earnings Beaters (41 stocks)

Leading sectors: Information Technology and Health Care

Companies					
AAPL	WDC	MU	ISRG	CTAS	AMZN
ADBE	GOOG	NSM	CELG	DOV	BDK
AMD	INTC	QLGC	GILD	LUV	FO
BRCM	JBL	SNDK	LLY	MMM	WHR
RHT	JNPR	APH	RX	NOC	BTU
EBAY	LLTC	KMB	TMO	FCX	HAL
EMC	LXK	STZ	ZMH		DO

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

### 3Q 2009 Cost Cutters (6 stocks)

Leading sectors: Consumer Staples and Industrials

Companies	
CAG	GR
HSY	HON
MKC	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 22, 2009

#### S&P 500 EQUAL-WEIGHTED

	Number of Companies			Std Dev Surprises (a)			Absolute Surprises (b)			Avg 3Q Surprise	since 31-Aug-09		P/E (NTM)		
	Reported	Total	% of Co's	Positive	Negative	In-Line	Positive	Negative	In-Line		EPS Revisions		Total	Return	
											2009	2010	Return	Current	31-Aug
Telecom Services	1	9	11 %	100 %	0 %	0 %	100 %	0 %	0 %	8 %	(2.1)%	(1.4)%	4.3 %	16.7	15.3
Industrials	30	59	51	70	7	23	90	10	0	16	1.0	2.8	9.8	19.2	18.7
Information Technology	37	76	49	65	0	32	84	5	11	26	6.1	5.6	10.0	21.8	21.4
Health Care	25	53	47	64	8	28	80	8	12	4	0.3	1.2	3.8	14.9	13.7
Consumer Staples	16	41	39	63	0	38	81	6	13	10	0.8	0.8	8.1	14.6	13.9
Materials	12	30	40	58	0	42	92	8	0	55	2.5	4.7	9.4	22.3	22.3
Consumer Discretionary	27	78	35	52	4	44	78	15	7	10	1.6	3.4	10.6	18.7	17.6
Financials	40	79	51	43	15	43	70	28	3	18	0.7	(1.2)	5.3	16.9	16.2
Energy	9	40	23	33	11	56	78	22	0	17	2.9	2.9	22.1	22.4	20.8
Utilities	2	35	6	0	50	50	0	50	50	(3)	1.5	(1.8)	4.9	13.1	12.5
<b>S&amp;P 500</b>	<b>199</b>	<b>500</b>	<b>40 %</b>	<b>57 %</b>	<b>7 %</b>	<b>36 %</b>	<b>80 %</b>	<b>14 %</b>	<b>7 %</b>	<b>18 %</b>	<b>2.0 %</b>	<b>2.1 %</b>	<b>9.0 %</b>	<b>18.2</b>	<b>17.5</b>
S&P 500 ex. Financials	159	421	38 %	60 %	4 %	35 %	82 %	10 %	8 %	18 %	2.2 %	2.7 %	9.7 %	18.5	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		P/E (NTM)		
	Reported	Total	% of Co's	Positive	Negative	In-Line	Positive	Negative	In-Line		EPS Revisions		Total	Return	
											2009	2010	Return	Current	31-Aug
Telecom Services	2	3	54 %	100 %	0 %	0 %	100 %	0 %	0 %	8 %	(6.6)%	(4.8)%	0.7 %	13.8	13.3
Information Technology	12	19	65	71	0	29	90	1	9	18	3.7	4.9	8.2	16.9	16.8
Consumer Discretionary	3	9	32	65	1	35	85	8	7	11	3.8	2.4	8.9	17.7	17.0
Health Care	10	12	77	64	3	33	93	3	4	6	0.9	0.4	2.1	11.7	11.9
Materials	2	4	61	59	0	41	98	2	0	94	13.1	5.1	9.2	20.0	20.9
Financials	11	15	75	52	21	27	75	25	1	(2)	4.0	2.1	4.7	17.7	19.7
Consumer Staples	5	12	47	46	0	54	96	1	3	7	1.0	1.4	7.2	14.2	13.8
Industrials	8	10	73	46	7	47	92	8	0	1	(0.5)	1.9	9.2	16.8	16.5
Energy	2	13	19	21	4	75	93	7	0	14	1.3	0.9	15.3	15.8	13.9
Utilities	1	4	14	0	32	68	0	32	68	(2)	(0.2)	(0.4)	3.6	12.8	12.3
<b>S&amp;P 500</b>	<b>56</b>	<b>100</b>	<b>56 %</b>	<b>58 %</b>	<b>6 %</b>	<b>36 %</b>	<b>88 %</b>	<b>8 %</b>	<b>4 %</b>	<b>11 %</b>	<b>1.7 %</b>	<b>1.8 %</b>	<b>7.4 %</b>	<b>15.5</b>	<b>15.3</b>
S&P 500 ex. Financials	44	85	52 %	59 %	2 %	39 %	91 %	4 %	5 %	14 %	1.4 %	1.7 %	7.9 %	15.2	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 – October 26 to October 30

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	
<b>Monday, October 26, 2009</b>											
Consumer Discretionary	<b>McGraw-Hill</b>	MHP	NC	35 %	\$ 10		\$ 1.04	\$ 0.06	(9)%	(19)%	12.7 x
	<b>V.F. Corp.</b>	VFC	NC	47	7		1.97	0.08	(5)	(6)	14.6
	<b>RadioShack Corp</b>	RSH	Neutral	30	2	0.32	0.31	0.05	17	(21)	10.6
Consumer Staples	<b>Lorillard</b>	LO	Buy	50 %	\$ 13	\$ 1.55	\$ 1.52	\$ 0.03	4 %	10 %	13.3 x
Energy	<b>National Oilwell Varco</b>	NOV	Neutral	99 %	\$ 20	\$ 0.80	\$ 0.79	\$ 0.04	(31)%	(41)%	16.2 x
	<b>Cabot Oil &amp; Gas Corp.</b>	COG	Neutral	53	4	0.33	0.37	0.04	(23)	(36)	29.2
Financials	<b>Plum Creek Timber Co.</b>	PCL	Neutral	0 %	\$ 5	\$ 0.07	\$ 0.08	\$ 0.02	(54)%	(80)%	72.8 x
Industrials	<b>Masco Corp.</b>	MAS	NC	30 %	\$ 5		\$ 0.09	\$ 0.04	(50)%	(31)%	NM
Information Technology	<b>Corning Inc.</b>	GLW	Neutral	66 %	\$ 24	\$ 0.40	\$ 0.39	\$ 0.03	50 %	(15)%	10.8 x
	<b>Tellabs, Inc.</b>	TLAB	NC	65	3		0.06	0.01	46	50	27.1
Materials	<b>CF Industries Holdings</b>	CF	Not Rated	92 %	\$ 5		\$ 1.02	\$ 0.42	(55)%	24 %	14.2 x
Telecommunication Services	<b>Verizon Communications</b>	VZ	Buy	(9)%	\$ 82	\$ 0.59	\$ 0.59	\$ 0.02	(14)%	(11)%	12.0 x
<b>Tuesday, October 27, 2009</b>											
Consumer Discretionary	<b>Johnson Controls</b>	JCI	Sell	52 %	\$ 18	\$ 0.53	\$ 0.48	\$ 0.06	(24)%	(34)%	18.6 x
	<b>Apollo Group</b>	APOL	NC	(2)	10		1.04	0.02	15	39	14.9
	<b>Wynn Resorts</b>	WYNN	Neutral	50	4	0.17	0.14	0.11	(65)	(77)	NM
	<b>DeVry Inc.</b>	DV	NC	(3)	3		0.65	0.03	5	35	18.6
Energy	<b>Valero Energy</b>	VLO	Sell	(5)%	\$ 11	\$(0.22)	\$(0.29)	\$ 0.13	(127)%	(116)%	47.3 x
	<b>FMC Technologies</b>	FTI	Neutral	147	7	0.64	0.63	0.02	(10)	(13)	24.5
	<b>Massey Energy Co.</b>	MEE	Buy	140	3	0.29	0.18	0.09	(85)	(79)	30.0
Financials	<b>Franklin Resources</b>	BEN	Buy	78 %	\$ 17	\$ 1.30	\$ 1.33	\$ 0.10	15 %	2 %	20.4 x
	<b>Boston Properties</b>	BXP	Buy	19	9	1.09	1.10	0.01	(9)	(3)	14.7
	<b>E*Trade Financial Corp.</b>	ETFC	Buy	45	2	(0.03)	(0.09)	0.07	(22)	85	NM
Health Care	<b>McKesson Corp.</b>	MCK	Neutral	58 %	\$ 16	\$ 1.00	\$ 1.00	\$ 0.05	4 %	(15)%	14.1 x
	<b>Life Technologies Corp</b>	LIFE	NC	106	8		0.61	0.03	(4)	(3)	16.5
	<b>Hospira Inc.</b>	HSP	Neutral	72	7	0.68	0.68	0.02	(3)	8	15.4
	<b>Waters Corporation</b>	WAT	NC	56	5		0.77	0.01	4	(3)	16.7
	<b>Cephalon Inc</b>	CEPH	Buy	(29)	4	1.38	1.42	0.08	0	20	9.1
Industrials	<b>Norfolk Southern Corp.</b>	NSC	NC	6 %	\$ 18		\$ 0.78	\$ 0.03	(41)%	(43)%	15.8 x
	<b>PACCAR Inc.</b>	PCAR	Neutral	39	14	0.08	0.02	0.03	(94)	(98)	NM
	<b>L-3 Communications Holdings</b>	LLL	Sell*	4	9	1.88	1.85	0.04	(2)	7	9.9
	<b>Textron Inc.</b>	TXT	Buy*	43	5	0.00	(0.02)	0.08	(103)	(102)	37.1
	<b>Stericycle Inc.</b>	SRCL	CS	2	5		0.53	0.01	4	18	24.2
	<b>Avery Dennison Corp.</b>	AVY	NC	22	4		0.57	0.07	(21)	(30)	17.4
	Information Technology	<b>Flserv Inc.</b>	FISV	Neutral	36 %	\$ 8	\$ 0.91	\$ 0.92	\$ 0.02	(1)%	14 %
<b>Harris Corp.</b>		HRS	NC	14	5		0.75	0.07	(30)	(16)	12.0
<b>Total System Services</b>		TSS	Sell	21	3	0.29	0.29	0.01	(17)	(12)	14.4
<b>Molex Inc.</b>		MOLX	Buy	56	3	0.16	0.14	0.02	(11)	(59)	30.6
<b>Convergys Corp.</b>		CVG	NC	70	1		0.23	0.02	(10)	(21)	10.6

\* Conviction List.

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

## S&P 500 3Q2009 Earnings Calendar – October 26 to October 30 (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	
Materials	<b>Ecolab Inc.</b>	ECL	Neutral	33 %	\$ 11	\$ 0.60	\$ 0.60	\$ 0.01	7 %	9 %	21.8 x
	<b>United States Steel Corp.</b>	X	Buy	13	6	(2.57)	(2.87)	0.24	(269)	(133)	NM
	<b>Bemis Company</b>	BMS	NC	15	3		0.39	0.03	(18)	(11)	16.2
	<b>AK Steel</b>	AKS	Neutral	111	2	0.04	0.00	0.04	(100)	(100)	24.8
Utilities	<b>FPL Group</b>	FPL	NC	9 %	\$ 22		\$ 1.41	\$ 0.11	28 %	13 %	12.3 x
	<b>FirstEnergy Corp.</b>	FE	NC	(1)	14		1.02	0.08	(36)	(36)	14.3
	<b>Scana Corp</b>	SCG	Neutral	4	4	0.83	0.80	0.05	(12)	0	12.6
<b>Wednesday, October 28, 2009</b>											
Consumer Discretionary	<b>O'Reilly Automotive</b>	ORLY	Neutral	16 %	\$ 5	\$ 0.58	\$ 0.56	\$ 0.02	11 %	40 %	15.6 x
	<b>Goodyear Tire &amp; Rubber</b>	GT	Neutral	197	4	0.42	0.43	0.19	(29)	0	9.3
	<b>Newell Rubbermaid Co.</b>	NWL	Neutral	63	4	0.40	0.35	0.03	5	(3)	11.7
	<b>Wyndham Worldwide</b>	WYN	Buy	175	3	0.56	0.55	0.02	(8)	(34)	11.5
	<b>Interpublic Group</b>	IPG	NC	60	3		0.01	0.01	(86)	(88)	28.8
Consumer Staples	<b>Coca-Cola Enterprises</b>	CCE	Buy*	73 %	\$ 7	\$ 0.46	\$ 0.46	\$ 0.04	7 %	0 %	12.7 x
Energy	<b>ConocoPhillips</b>	COP	Neutral	6 %	\$ 78	\$ 0.90	\$ 0.92	\$ 0.08	(45)%	(72)%	10.6 x
	<b>Hess Corp.</b>	HES	Buy	15	18	0.57	0.53	0.08	(52)	(78)	21.3
Financials	<b>AFLAC Inc.</b>	AFL	CS	3 %	\$ 21		\$ 1.20	\$ 0.02	2 %	18 %	9.3 x
	<b>Equity Residential</b>	EQR	Buy	3	8	0.51	0.52	0.01	(14)	(20)	14.8
	<b>Lincoln National</b>	LNC	Buy	43	8	0.76	0.79	0.14	(34)	(36)	8.1
	<b>XL Capital</b>	XL	Neutral	408	6	0.59	0.61	0.12	(24)	53	7.3
	<b>AvalonBay Communities</b>	AVB	Sell	28	6	1.07	1.08	0.02	(12)	(16)	18.0
	<b>Assurant Inc.</b>	AIZ	NC	10	4		0.94	0.06	(37)	34	7.6
	<b>Torchmark Corp.</b>	TMK	NC	4	4		1.49	0.02	(6)	(1)	7.5
	<b>Cb Richard Ellis Group Inc</b>	CBG	Neutral	215	3	0.13	0.09	0.02	(69)	(67)	34.5
Health Care	<b>Express Scripts</b>	ESRX	Buy	48 %	\$ 22	\$ 0.83	\$ 0.80	\$ 0.02	(16)%	(1)%	20.8 x
	<b>WellPoint Inc.</b>	WLP	Neutral	9	22	1.40	1.37	0.05	(14)	(14)	8.2
	<b>Dentsply International</b>	XRAY	NC	29	5		0.44	0.02	(9)	(4)	18.4
Industrials	<b>General Dynamics</b>	GD	Buy	21 %	\$ 26	\$ 1.41	\$ 1.40	\$ 0.03	(16)%	(12)%	10.8 x
	<b>First Solar Inc.</b>	FSLR	NC	13	8		1.75	0.24	(8)	46	23.8
	<b>Flowserve Corp.</b>	FLS	NC	108	6		2.00	0.05	(8)	(2)	14.3
	<b>Dun &amp; Bradstreet Corp</b>	DNB	NC	3	4		1.13	0.07	(13)	(0)	14.6
Information Technology	<b>Symantec Corp.</b>	SYMC	Neutral	25 %	\$ 14	\$ 0.32	\$ 0.33	\$ 0.01	(7)%	(11)%	11.7 x
	<b>Akamai Technologies Inc.</b>	AKAM	Sell	43	4	0.35	0.35	0.01	(18)	(13)	14.3
	<b>LSI Logic</b>	LSI	Buy	66	4	0.01	0.04	0.01	16	(71)	30.3
	<b>Teradyne Inc.</b>	TER	Buy*	137	2	0.12	0.11	0.03	339	22	31.3
Materials	<b>Praxair, Inc.</b>	PX	Buy	45 %	\$ 26	\$ 1.00	\$ 1.00	\$ 0.01	(8)%	(10)%	20.0 x
	<b>International Paper</b>	IP	Buy*	114	11	0.25	0.24	0.02	(24)	(71)	26.1
	<b>Owens-Illinois Inc</b>	OI	Buy	37	6	1.00	0.93	0.04	(9)	3	10.8
	<b>MeadWestvaco Corporation</b>	MWV	Neutral	129	4	0.26	0.27	0.04	6	4	42.2
	<b>FMC Corp.</b>	FMC	NC	27	4		0.90	0.03	(26)	(20)	12.8
	<b>Sealed Air Corp.</b>	SEE	Sell	42	3	0.36	0.33	0.02	(8)	18	14.5
Telecommunication Services	<b>Qwest Communications Int</b>	Q	Sell*	6 %	\$ 5	\$ 0.07	\$ 0.08	\$ 0.01	(16)%	(11)%	11.6 x
Utilities	<b>Southern Co.</b>	SO	NC	(6)%	\$ 26		\$ 0.99	\$ 0.02	(8)%	(2)%	13.8 x
	<b>Public Serv. Enterprise Inc.</b>	PEG	NC	10	16		0.89	0.07	(17)	(5)	10.5
	<b>Questar Corp.</b>	STR	Neutral	30	7	0.58	0.51	0.04	(29)	(50)	18.0
	<b>CenterPoint Energy</b>	CNP	NC	8	5		0.30	0.02	(3)	(23)	10.7

\* Conviction List. Note: Citrix (CTXS) estimates exclude ESOE.

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

## S&P 500 3Q2009 Earnings Calendar – October 26 to October 30 (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	
<b>Thursday, October 29, 2009</b>											
Consumer Discretionary	<b>Expedia Inc.</b>	EXPE	Neutral	214 %	\$ 5	\$ 0.45	\$ 0.43	\$ 0.03	6 %	10 %	18.8 x
	<b>Harman International Industries Inc.</b>	HAR	NC	118	3		(0.24)	0.06	(136)	(147)	NM
	<b>Office Depot</b>	ODP	Neutral	152	2	(0.14)	(0.09)	0.05	(337)	NM	NM
	<b>AutoNation, Inc.</b>	AN	Sell	114	2	0.36	0.34	0.06	24	36	17.8
	<b>Meredith Corp.</b>	MDP	NC	90	1		0.34	0.01	(11)	(17)	17.2
	<b>Eastman Kodak</b>	EK	NC	(37)	1		(0.19)	0.14	(227)	(186)	NM
Consumer Staples	<b>Procter &amp; Gamble</b>	PG	Neutral	(3)%	\$ 170	\$ 0.91	\$ 0.98	\$ 0.02	(11)%	(5)%	14.2 x
	<b>Colgate-Palmolive</b>	CL	Buy	19	40	1.13	1.11	0.01	3	12	17.4
	<b>Avon Products</b>	AVP	Sell	52	15	0.36	0.39	0.02	(19)	(25)	17.7
	<b>Kellogg Co.</b>	K	Neutral	18	13	0.85	0.83	0.05	(5)	(7)	15.3
Energy	<b>Exxon Mobil Corp.</b>	XOM	Neutral	(5)%	\$ 358	\$ 1.07	\$ 1.05	\$ 0.14	(35)%	(59)%	15.0 x
	<b>Apache Corp.</b>	APA	Buy	38	34	1.62	1.60	0.09	(4)	(50)	13.4
	<b>Southwestern Energy</b>	SWN	Neutral	68	17	0.37	0.34	0.03	(20)	(36)	30.0
	<b>Noble Energy</b>	NBL	Neutral	46	12	0.78	0.82	0.08	(32)	(61)	21.1
	<b>Williams Cos.</b>	WMB	NC	40	12		0.19	0.03	(57)	(67)	19.3
	<b>Smith International Inc.</b>	SII	Neutral	50	7	0.12	0.15	0.02	(81)	(85)	41.2
Financials	<b>MetLife Inc.</b>	MET	Neutral	9 %	\$ 31	\$ 0.90	\$ 0.87	\$ 0.06	(14)%	(1)%	10.3 x
	<b>Chicago Merc Exch Holdings</b>	CME	Buy	55	21	3.25	3.31	0.08	(22)	(20)	22.4
	<b>Ventas Inc</b>	VTR	NC	27	6		0.63	0.01	(11)	(9)	15.7
	<b>Genworth Financial Inc.</b>	GNW	NC	290	5		(0.02)	0.07	(104)	(104)	20.1
	<b>Moody's Corp</b>	MCO	NC	29	5		0.38	0.03	(8)	(16)	15.4
	<b>Cincinnati Financial</b>	CINF	NC	(6)	4		0.42	0.04	(14)	(7)	15.8
Health Care	<b>Allergan, Inc.</b>	AGN	Neutral	43 %	\$ 18	\$ 0.69	\$ 0.70	\$ 0.02	(3)%	8 %	19.5 x
	<b>Aetna Inc.</b>	AET	Neutral	(10)	11	0.59	0.66	0.05	(40)	(41)	9.3
	<b>Varian Medical Systems</b>	VAR	NC	19	5		0.74	0.02	(7)	19	15.6
	<b>Mylan Laboratories</b>	MYL	Buy	67	5	0.29	0.27	0.02	20	17	13.5
	<b>PerkinElmer</b>	PKI	NC	45	2		0.26	0.01	(28)	(30)	15.8
Industrials	<b>Waste Management Inc.</b>	WMI	CS	(2)%	\$ 16		\$ 0.53	\$ 0.03	(13)%	(16)%	15.6 x
	<b>Iron Mountain Inc.</b>	IRM	NC	7	5		0.24	0.01	1	4	28.2
	<b>Monster Worldwide</b>	MWW	Neutral	53	2	0.09	0.00	0.01	(100)	(100)	NM
	<b>Snap-On Inc.</b>	SNA	NC	(1)	2		0.33	0.12	(66)	(65)	18.6
Information Technology	<b>Motorola Inc.</b>	MOT	Neutral	88 %	\$ 19	\$ 0.01	\$ 0.00	\$ 0.01	(100)%	(100)%	57.4 x
	<b>McAfee Inc.</b>	MFE	Neutral	30	7	0.61	0.61	0.01	8	15	17.9
	<b>BMC Software</b>	BMC	Neutral	40	7	0.60	0.58	0.02	(1)	4	15.1
	<b>KLA-Tencor Corp.</b>	KLAC	Buy	68	6	0.02	0.01	0.03	(87)	(97)	NM
Materials	<b>Newmont Mining Corp. (Hldg. Co.)</b>	NEM	NC	13 %	\$ 22		\$ 0.55	\$ 0.07	6 %	41 %	18.1 x
	<b>Ball Corp.</b>	BLL	Neutral	24	5	1.13	1.17	0.03	(2)	4	12.6
	<b>Airgas Inc.</b>	ARG	Neutral	31	4	0.68	0.67	0.01	(18)	(22)	17.4

\* Conviction List.

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

## S&P 500 3Q2009 Earnings Calendar – October 26 to October 30 (cont'd)

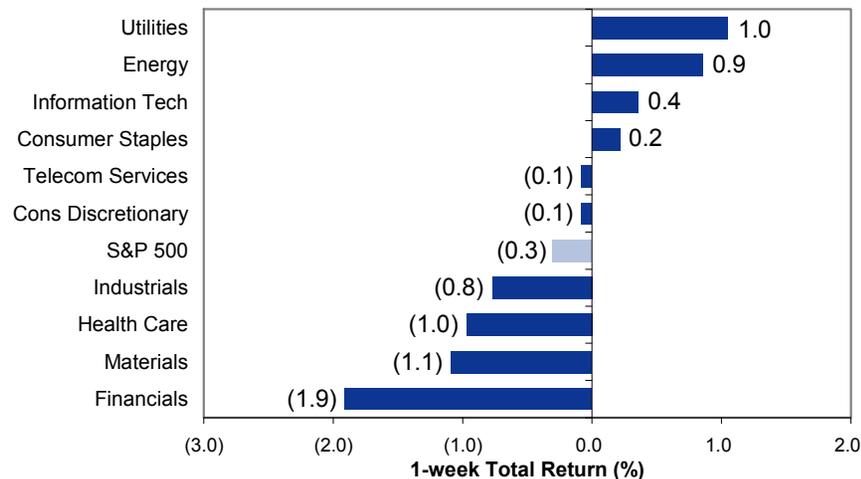
Sector	Company name	Ticker	Rating	YTD Return	Mkt Cap (\$ bil)	3Q 2009 EPS			Consensus 3Q 2009		P/E (NTM)
						GS	Consensus	Std. Dev.	YTD Revisions	Yr/Yr Growth	
Telecommunication Services	<b>Sprint Nextel Corp.</b>	S	Neutral	85 %	\$ 10	\$(0.16)	\$(0.14)	\$ 0.05	(250)%		NM
Utilities	<b>PG&amp;E Corp.</b>	PCG	Neutral	13 %	\$ 16	\$ 0.91	\$ 0.92	\$ 0.02	(1)%	11 %	12.7 x
	<b>American Electric Power</b>	AEP	Buy	(2)	15	0.80	0.85	0.07	(16)	(9)	11.0
	<b>PPL Corp.</b>	PPL	NC	4	12		0.47	0.03	(1)	4	12.8
	<b>Xcel Energy Inc</b>	XEL	NC	11	9		0.51	0.01	NM	0	12.8
	<b>DTE Energy Co.</b>	DTE	NC	14	6		1.00	0.06	(1)	(6)	12.3
	<b>Equitable Resources</b>	EQT	NC	36	6		0.19	0.04	(59)	(74)	27.3
	<b>Wisconsin Energy</b>	WEC	Neutral	10	5	0.49	0.52	0.07	(28)	(20)	13.7
	<b>Allegheny Energy</b>	AYE	Neutral	(20)	4	0.58	0.58	0.06	(36)	7	11.1
	<b>Pinnacle West Capital</b>	PNW	NC	11	3		1.72	0.09	14	15	11.6
	<b>Pepco Holdings Inc.</b>	POM	NC	(9)	3		0.43	0.09	(30)	(27)	15.8
	<b>CMS Energy</b>	CMS	NC	41	3		0.34	0.04	42	3	10.5
<b>Friday, October 30, 2009</b>											
Consumer Discretionary	<b>Washington Post</b>	WPO	NC	24 %	\$ 3		\$ 4.89		(20)%	(37)%	25.7 x
Consumer Staples	<b>Estee Lauder</b>	EL	Sell*	38 %	\$ 5	\$ 0.49	\$ 0.34	\$ 0.07	22 %	31 %	23.8 x
Energy	<b>Chevron Corp.</b>	CVX	Neutral	8 %	\$ 155	\$ 1.35	\$ 1.44	\$ 0.19	(12)%	(63)%	11.3 x
	<b>BJ Services</b>	BJS	Not Rated	83	6		0.02	0.02	(94)	(96)	NM
Financials	<b>Simon Property Group, Inc</b>	SPG	Buy	38 %	\$ 20	\$ 1.30	\$ 1.33	\$ 0.02	(20)%	(17)%	12.7 x
	<b>Aon Corp.</b>	AOC	Neutral	(9)	11	0.65	0.66	0.02	(15)	(4)	12.8
	<b>Nyse Euronext</b>	NYX	Neutral	11	8	0.47	0.46	0.03	(37)	(36)	14.2
	<b>Apartment Investment &amp; Mgmt'A'</b>	AIV	Neutral	32	2	0.38	0.38	0.02	(45)	(54)	10.5
Health Care	<b>Coventry Health Care</b>	CVH	Sell	25 %	\$ 3	\$ 0.56	\$ 0.54	\$ 0.04	(28)%	(26)%	9.5 x
Industrials	<b>Cummins Inc.</b>	CMI	Buy	90 %	\$ 10	\$ 0.40	\$ 0.36	\$ 0.05	(54)%	(69)%	30.9 x
	<b>ITT Industries, Inc.</b>	ITT	Neutral	22	10	0.88	0.89	0.03	(11)	(21)	15.0
Information Technology	<b>Sun Microsystems Inc.</b>	JAVA	Neutral	121 %	\$ 6	\$(0.22)	\$(0.20)	\$ 0.11	(112)%	17 %	NM
	<b>Electronic Arts</b>	ERTS	Neutral	24	6	(0.02)	0.08	0.09	(35)	233	23.5
Materials	<b>Weyerhaeuser Corp.</b>	WY	Buy	36 %	\$ 9	\$(0.58)	\$(0.45)	\$ 0.13	(139)%	NM	NM
Utilities	<b>Duke Energy</b>	DUK	Neutral	13 %	\$ 21	\$ 0.36	\$ 0.38	\$ 0.02	0 %	15 %	12.9 x
	<b>Dominion Resources</b>	D	NC	3	21		0.91	0.03	(13)	(3)	11.6
	<b>Progress Energy, Inc.</b>	PGN	Neutral	3	11	1.11	1.18	0.04	(4)	1	12.5
	<b>Constellation Energy Group</b>	CEG	NC	37	7		1.05	0.07	(27)	38	12.6
	<b>Ameren Corporation</b>	AEE	Sell	(19)	6	0.89	0.99	0.12	2	(15)	12.2
	<b>NiSource Inc.</b>	NI	NC	33	4		(0.02)	0.02	NM	(167)	13.3
	<b>TECO Energy</b>	TE	NC	24	3		0.35	0.03	(33)	30	12.8

\* Conviction List.

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

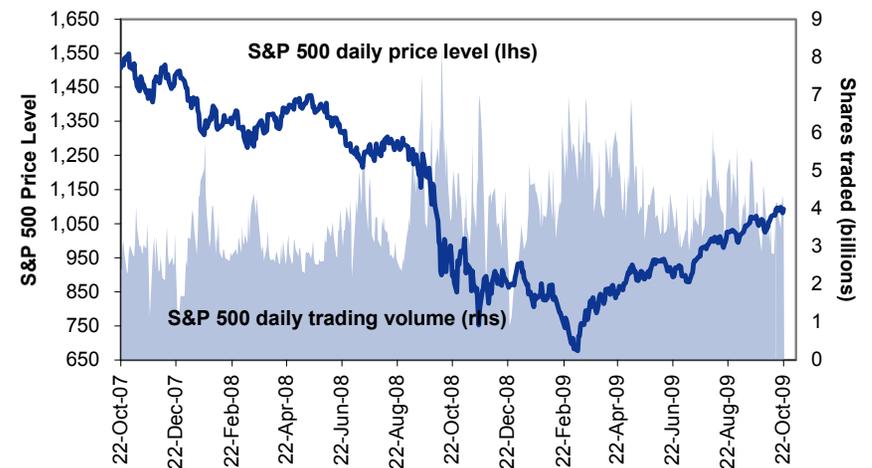
# S&P 500 Performance

**Exhibit 9: S&P 500 sector performance over the last week**  
as of October 22, 2009



Source: FactSet and Goldman Sachs Global ECS Research.

**Exhibit 10: S&P 500 price return and daily trading volume LTM**  
as of October 22, 2009



Source: FactSet and Goldman Sachs Global ECS Research.

**Exhibit 11: S&P 500 sector performance over time**  
as of October 22, 2009

	Total Return Percentage Change (%)					
	1-Week	1-Month	3-Month	6-Month	YTD	12-Month
Information Tech	0 %	3 %	12 %	34 %	51 %	46 %
Materials	(1)	1	18	36	44	39
Cons Discretionary	(0)	2	17	29	34	43
Financials	(2)	(0)	27	51	24	8
Energy	1	7	19	33	19	33
Industrials	(1)	(1)	20	31	17	19
Consumer Staples	0	4	11	24	13	16
Health Care	(1)	1	9	24	11	15
Utilities	1	2	7	21	7	16
Telecom Services	(0)	(1)	3	3	(1)	18
S&P 500	(0)%	2 %	15 %	31 %	23 %	25 %

Source: FactSet and Goldman Sachs Global ECS Research.

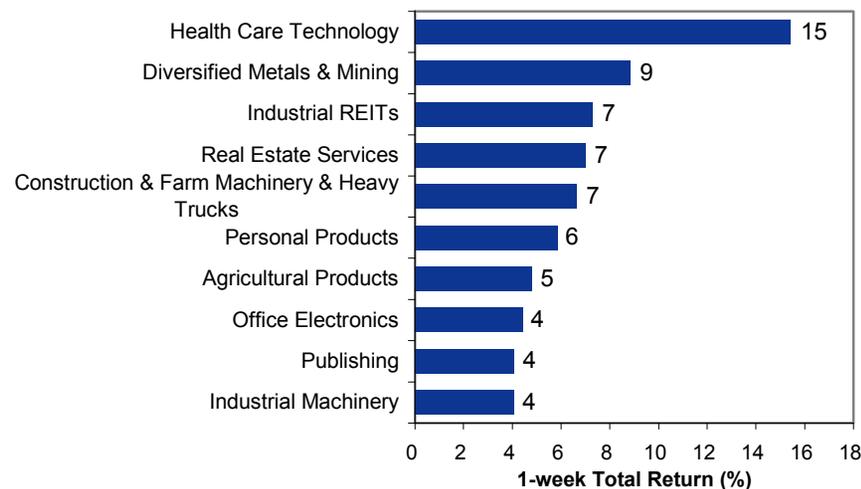
**Exhibit 12: BEST and WORST performing S&P 500 STOCKS BY SECTOR**  
as of October 22, 2009

Sector	Ticker	BEST STOCKS		WORST STOCKS		
		Return (%)		Return (%)		
		1-week	YTD	1-week	YTD	
Cons Discr	NYT	24 %	46 %	GME	(9)%	17 %
Consumer Staples	EL	9	38	DPS	(4)	72
Energy	DNR	6	54	CNX	(4)	73
Financials	SLM	15	23	MI	(22)	(55)
Health Care	RX	15	17	BSX	(17)	8
Industrials	DE	10	29	GE	(9)	(1)
Info Tech	LXK	22	3	MU	(12)	188
Materials	FCX	9	240	ATI	(12)	37
Telecom Services	T	1	(2)	S	(4)	85
Utilities	DTE	6	14	DYN	(10)	19
<b>S&amp;P 500</b>	<b>NYT</b>	<b>24 %</b>	<b>46 %</b>	<b>MI</b>	<b>(22)%</b>	<b>(55)%</b>

Source: FactSet and Goldman Sachs Global ECS Research.

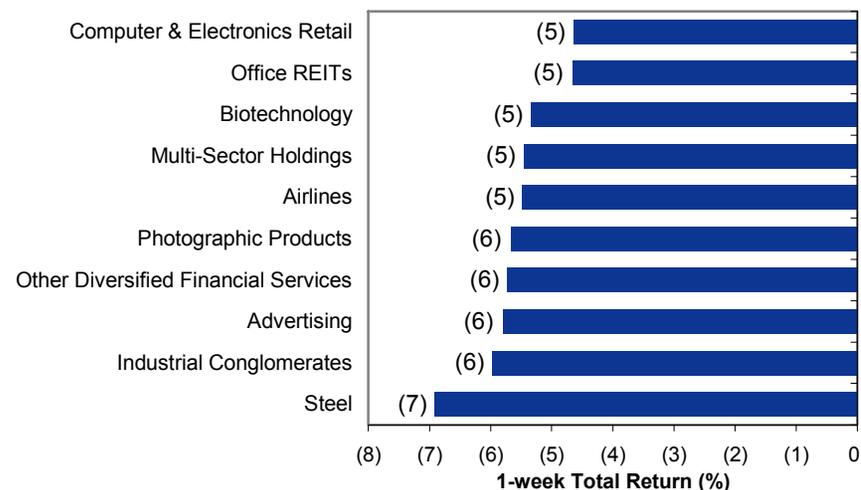
## S&P 500 Performance (cont'd)

**Exhibit 13: TOP 10 performing SUB-SECTORS over the last week**  
as of October 22, 2009



Source: FactSet and Goldman Sachs Global ECS Research.

**Exhibit 14: BOTTOM 10 performing SUB-SECTORS over the last week**  
as of October 22, 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 22, 2009

Company Name	Ticker	Sector	Return (%)	
			1-week	YTD
New York Times Cl. A	NYT	Cons Discr	24	46
Lexmark Int'l Inc	LXK	Info Tech	22	3
IMS Health Inc.	RX	Health Care	15	17
SLM Corporation	SLM	Financials	15	23
PNC Bank Corp.	PNC	Financials	11	6
Deere & Co.	DE	Industrials	10	29
Freeport-McMoran Cp & Gld	FCX	Materials	9	240
Estee Lauder	EL	Consumer Staples	9	38
Morgan Stanley	MS	Financials	9	127
Novellus Systems	NVLS	Info Tech	9	87
<b>S&amp;P 500 Average</b>			<b>(0)</b>	<b>40</b>

Source: FactSet and Goldman Sachs Global ECS Research.

**Exhibit 16: BOTTOM 10 performing S&P 500 STOCKS over the last week**  
as of October 22, 2009

Company Name	Ticker	Sector	Return (%)	
			1-week	YTD
Marshall & Ilsley Corp.	MI	Financials	(22)	(55)
Boston Scientific	BSX	Health Care	(17)	8
State Street Corp.	STT	Financials	(15)	19
Micron Technology	MU	Info Tech	(12)	188
Allegheny Technologies Inc	ATI	Materials	(12)	37
MBIA Inc.	MBI	Financials	(12)	28
AK Steel	AKS	Materials	(10)	111
Northern Trust Corp.	NTRS	Financials	(10)	5
Dynegy Inc.	DYN	Utilities	(10)	19
GameStop Corp.	GME	Cons Discr	(9)	17
<b>S&amp;P 500 Average</b>			<b>(0)</b>	<b>40</b>

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 22, 2009

	2009E Earnings Growth				Annual	
	1QA	2QE	3QE	4QE	2009E	2010E
Consumer Discretionary	(86)	61	108	NM	68	50
<b>S&amp;P 500</b>	<b>(39)</b>	<b>(19)</b>	<b>(6)</b>	<b>NM</b>	<b>13</b>	<b>37</b>
Health Care	7	1	4	20	8	8
Information Technology	(35)	(21)	0	121	4	31
Utilities	(4)	1	(3)	15	1	12
Consumer Staples	(10)	(1)	(8)	24	0	9
Telecom Services	(9)	(16)	(11)	3	(9)	7
Materials	(76)	(64)	(47)	NM	(23)	78
Industrials	(40)	(37)	(47)	(18)	(36)	11
Energy	(96)	(68)	(73)	56	(67)	85
Financials	NM	NM	NM	NM	NM	162
S&P 500 (ex-Financials)	(43)	(27)	(30)	65	(19)	26

Source: FactSet and Goldman Sachs Global ECS Research.

**Exhibit 19: TOP-DOWN vs. BOTTOM-UP: Goldman Sachs vs. Consensus**  
as of October 22, 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 %	68 %	50 %
Utilities	3	3	3	3	1	10	1	12
Consumer Staples	8	9	8	9	0	5	0	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	4	31
Industrials	6	7	6	7	(35)	2	(36)	11
Materials	1	2	1	2	(47)	110	(23)	78
Energy	7	13	5	10	(55)	80	(67)	85
<b>S&amp;P 500 ex-Financials</b>	<b>50</b>	<b>61</b>	<b>52</b>	<b>65</b>	<b>(22)</b>	<b>23</b>	<b>(19)</b>	<b>26</b>
Financials Operating EPS	2	14	4	11	NM	NM	NM	162
<b>S&amp;P 500 Operating EPS</b>	<b>\$52</b>	<b>\$75</b>	<b>\$56</b>	<b>\$76</b>	<b>5 %</b>	<b>45 %</b>	<b>13 %</b>	<b>37 %</b>
+ Provisions & Writedowns	17	6	NA	NA	(46)	(66)	NA	NA
<b>S&amp;P 500 EPS ex-P&amp;W</b>	<b>69</b>	<b>81</b>	<b>NA</b>	<b>NA</b>	<b>(15)</b>	<b>18</b>	<b>NA</b>	<b>NA</b>

Source: FactSet and Goldman Sachs Global ECS Research.

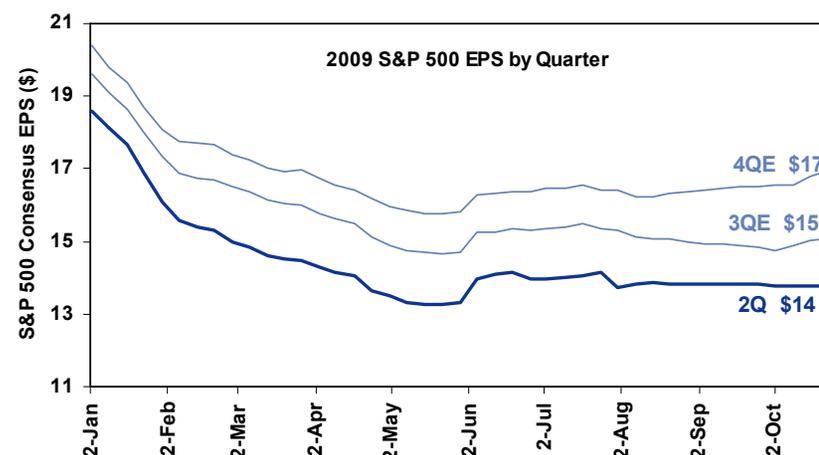
**Exhibit 18: SALES GROWTH: S&P 500 bottom-up consensus estimates**  
as of October 22, 2009

	2009E Sales Growth				Annual	
	1QA	2QE	3QE	4QE	2009E	2010E
Health Care	3	2	2	2	2	4
Telecom Services	1	1	2	3	2	1
Consumer Staples	(4)	(5)	(2)	4	(2)	5
Information Technology	(16)	(17)	(11)	1	(11)	7
Industrials	(11)	(17)	(18)	(9)	(14)	2
<b>S&amp;P 500</b>	<b>(17)</b>	<b>(21)</b>	<b>(18)</b>	<b>(3)</b>	<b>(15)</b>	<b>7</b>
Consumer Discretionary	(22)	(26)	(21)	(14)	(21)	1
Materials	(29)	(31)	(26)	1	(23)	12
Energy	(42)	(46)	(41)	(2)	(36)	28

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 22, 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 22, 2009

	EV/ Sales	EV/ EBITDA	Price/ Book	FCF Yield	PEG Ratio	NTM P/E
<b>S&amp;P 500</b>	<b>1.5x</b>	<b>8.1x</b>	<b>2.3x</b>	<b>5.6 %</b>	<b>1.5x</b>	<b>15.3x</b>
Materials	1.6	14.6	2.8	3.9	2.2	19.8
Consumer Discretionary	1.3	7.7	2.3	6.9	1.6	17.6
Information Technology	2.3	10.8	4.0	6.2	1.3	16.9
Industrials	1.8	11.4	2.6	7.4	1.5	16.8
Financials	NM	NM	1.3	NM	1.3	16.3
Energy	1.2	5.0	2.1	0.2	2.4	15.9
Consumer Staples	1.2	9.1	3.5	6.2	1.4	14.2
Telecommunication Services	1.7	5.3	1.7	13.1	2.5	13.6
Utilities	NM	7.2	1.6	NM	2.3	12.7
Health Care	1.2	7.9	2.9	7.8	1.3	11.7

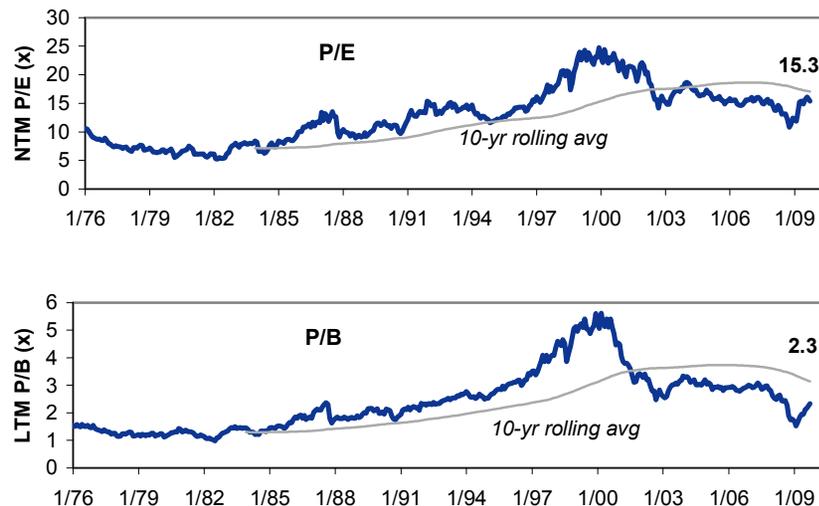
Source: Compustat, First Call via FactSet, and Goldman Sachs Global ECS Research.

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

	EV/ Sales	EV/ EBITDA	Price/ Book	FCF Yield	P/E	PEG Ratio	Median Z-Score
<b>S&amp;P 500</b>	<b>(0.9)</b>	<b>(2.4)</b>	<b>(1.1)</b>	<b>(1.0)</b>	<b>(0.5)</b>	<b>2.4</b>	<b>(0.9)</b>
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 22, 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 22, 2009

Sector	GROWTH Fastest EPS Growth (%)		VALUE Lowest P/E (x)			
	Ticker	2009E	2010E	Ticker	NTM	Rel to SPX
Cons Discr	<b>IPG</b>	(59)	57	<b>GCI</b>	8.5	0.6
Consumer Staples	<b>AVP</b>	(17)	27	<b>SVU</b>	8.5	0.6
Energy	<b>MRO</b>	(71)	93	<b>COP</b>	10.6	0.7
Financials	<b>JNS</b>	(42)	91	<b>MBI</b>	3.3	0.2
Health Care	<b>THC</b>	NM	88	<b>HUM</b>	6.5	0.4
Industrials	<b>RHI</b>	(88)	93	<b>NOC</b>	9.4	0.6
Info Tech	<b>MOLX</b>	(40)	88	<b>WDC</b>	9.9	0.6
Materials	<b>MWV</b>	(31)	81	<b>OI</b>	10.8	0.7
Telecom Services	<b>PCS</b>	33	66	<b>CTL</b>	10.3	0.7
Utilities	<b>PPL</b>	(13)	89	<b>EIX</b>	10.2	0.7

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 22, 2009 (a)**

Growth Metrics <sup>(b)</sup>	Last Week Spread (%)					Last Week	Performance Spread of Top Quintile Less Bottom Quintile (%)						
	(2)	(1)	0	1	2		Last Five Trading Days					Last Month	Last Quarter
							16-Oct	19-Oct	20-Oct	21-Oct	22-Oct		
<b>GROWTH</b>						<b>0.2</b>	<b>0.1</b>	<b>0.2</b>	<b>0.3</b>	<b>(0.0)</b>	<b>(0.4)</b>	<b>2.8</b>	<b>5.6</b>
EBITDA Growth						0.2	0.1	0.2	(0.0)	0.1	(0.2)	3.3	6.9
Sales Growth						0.1	(0.2)	0.2	0.4	0.5	(0.9)	3.1	4.2
EPS Growth						(0.5)	(0.1)	0.1	(0.1)	(0.1)	(0.4)	1.2	7.7
<b>Value Metrics<sup>(b)</sup></b>													
P/B						1.0	0.7	(0.2)	0.4	(0.0)	(0.0)	1.6	(3.6)
P/E						0.3	(0.5)	0.5	(0.3)	0.4	0.2	2.3	9.3
EV/EBITDA						(0.1)	(0.2)	0.1	(0.9)	0.2	0.7	0.0	2.1
<b>VALUATION</b>						<b>(0.4)</b>	<b>(0.2)</b>	<b>0.3</b>	<b>(0.9)</b>	<b>0.2</b>	<b>0.2</b>	<b>0.5</b>	<b>5.8</b>
P/div						(0.4)	(0.5)	0.2	(0.0)	(0.1)	(0.1)	1.4	5.7
EV/DACF						(0.8)	(0.1)	0.0	(0.9)	0.2	0.0	(4.0)	(1.6)
EV/FCF						(1.0)	(0.2)	(0.2)	(0.5)	0.1	(0.2)	(0.0)	6.4
<b>Profitability Metrics<sup>(b)</sup></b>													
<b>PROFITABILITY</b>						<b>1.8</b>	<b>1.4</b>	<b>(0.4)</b>	<b>0.6</b>	<b>0.4</b>	<b>(0.1)</b>	<b>3.2</b>	<b>(9.3)</b>
ROCE						1.6	0.9	(0.1)	0.7	0.3	(0.3)	2.2	(9.4)
CROCI						1.5	0.9	(0.5)	0.9	0.3	(0.2)	4.0	(4.0)
ROE						0.8	1.3	(0.4)	0.4	0.1	(0.7)	2.2	(9.4)
<b>Other Metrics<sup>(c)</sup></b>													
Short Interest Level						(1.9)	(1.6)	(0.0)	(0.5)	(0.4)	0.7	(4.0)	11.3
Equity Capitalization						1.2	0.9	(0.0)	0.5	0.3	(0.5)	2.4	(6.0)

(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**

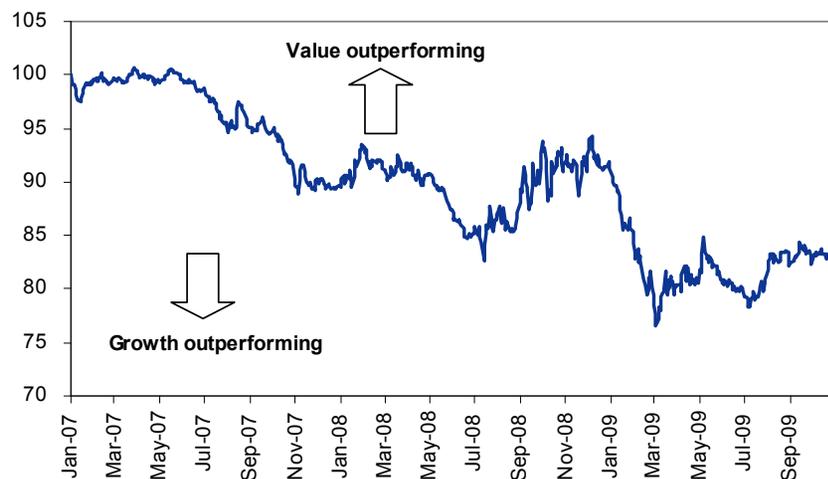
as of October 22, 2009

	Total Return Percentage Change (%)				
	1-Week	1-Month	3-Month	6-Month	YTD
<b>Large Cap vs. Small Cap</b>					
S&P 500	(0)	2	15	31	23
Russell 2000	(2)	(1)	16	31	24
Large vs. Small (bps)	<b>128</b>	320	(124)	(21)	(92)
<b>Growth vs. Value</b>					
Russell 1000 Growth	(0)	3	13	29	31
Russell 1000 Value	(1)	1	18	34	19
Growth vs. Value (bps)	<b>62</b>	108	(565)	(425)	1,250

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 22, 2009



Source: FactSet and Goldman Sachs Global ECS Research.

**Exhibit 27: Total return by SECTOR for S&P 500 vs. Russell 2000**

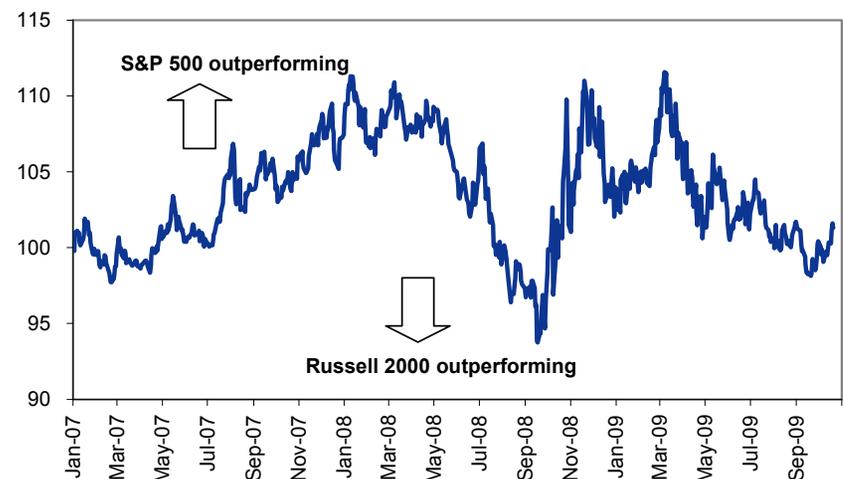
as of October 22, 2009

Sector	Weight (%)		1-Week (% Return)			YTD (% Return)		
	SP500	R2000	SP500	R2000	Δ (bps)	SP500	R2000	Δ (bps)
Information Tech	19	19	0	(2)	<b>275</b>	51	55	(332)
Energy	13	5	1	(1)	<b>148</b>	19	43	(2,407)
Health Care	12	14	(1)	(2)	<b>144</b>	11	18	(655)
Materials	4	4	(1)	(2)	<b>127</b>	44	52	(807)
Utilities	4	3	1	0	<b>86</b>	7	3	354
Financials	15	20	(2)	(3)	<b>66</b>	24	(4)	2,799
Consumer Staples	12	3	0	(0)	<b>58</b>	13	19	(569)
Telecom Services	3	1	(0)	(0)	<b>27</b>	(1)	18	(1,909)
Cons Discretionary	9	14	(0)	(0)	<b>20</b>	34	63	(2,906)
Industrials	10	16	(1)	(1)	<b>(16)</b>	17	12	533
<b>Index</b>	<b>100</b>	<b>100</b>	<b>(0)</b>	<b>(2)</b>	<b>128</b>	<b>23</b>	<b>24</b>	<b>(92)</b>

Source: FactSet and Goldman Sachs Global ECS Research.

**Exhibit 29: LARGE CAP vs. SMALL CAP relative performance over time**

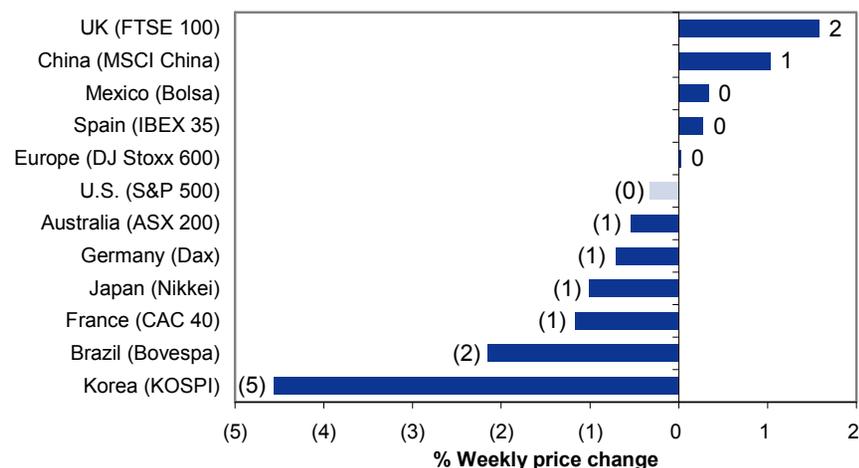
S&P 500 vs. Russell 2000, as of October 22, 2009



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 22, 2009



Source: FactSet and Goldman Sachs Global ECS Research.

**Exhibit 32: GLOBAL EQUITY MARKET performance over time**  
as of October 22, 2009

	Price Return (%) USD				
	1-Week	1-Month	3-Month	2009 YTD	2008
Brazil (Bovespa)	(2)	13	37	138	(55)
Australia (ASX 200)	(1)	9	34	71	(53)
China (MSCI China)	1	4	12	61	(51)
Korea (KOSPI)	(5)	(4)	14	53	(56)
Mexico (Bolsa)	0	7	20	47	(40)
Spain (IBEX 35)	0	2	23	39	(42)
UK (FTSE 100)	2	2	17	35	(50)
Europe (DJ Stoxx 600)	0	2	21	34	(48)
Germany (Dax)	(1)	2	19	29	(43)
France (CAC 40)	(1)	1	22	28	(46)
<b>U.S. (S&amp;P 500)</b>	<b>(0)</b>	<b>2</b>	<b>15</b>	<b>21</b>	<b>(38)</b>
Japan (Nikkei)	(1)	(1)	8	15	(29)
<b>Average</b>	<b>(1)</b>	<b>3</b>	<b>20</b>	<b>48</b>	<b>(46)</b>

Source: FactSet and Goldman Sachs Global ECS Research.

**Exhibit 31: US EQUITY MUTUAL FUND performance vs. benchmark**  
as of October 22, 2009

Lipper Indices	Avg. Total Return (%)		Stdev		No. of Funds	AUM \$ bil
	1-week	YTD	1-Week	YTD		
<b>Large-Cap Core Funds</b>	<b>(0.3)</b>	<b>25.5</b>	<b>0.5</b>	<b>7.8</b>	<b>30</b>	<b>155</b>
Benchmark: S&P 500	(0.3)	23.4				
Out / (Underperformance) (bps)	1	205				
<b>Large-Cap Growth Funds</b>	<b>0.0</b>	<b>33.9</b>	<b>0.6</b>	<b>9.4</b>	<b>30</b>	<b>238</b>
Benchmark: Russell 1000 Growth	(0.1)	31.4				
Out / (Underperformance) (bps)	9	257				
<b>Large-Cap Value Funds</b>	<b>(0.1)</b>	<b>22.7</b>	<b>0.4</b>	<b>5.8</b>	<b>30</b>	<b>232</b>
Benchmark: Russell 1000 Value	(0.7)	18.9				
Out / (Underperformance) (bps)	55	385				
<b>Small-Cap Core Funds</b>	<b>(1.2)</b>	<b>32.3</b>	<b>0.6</b>	<b>9.0</b>	<b>30</b>	<b>98</b>
Benchmark: Russell 2000	(1.6)	24.3				
Out / (Underperformance) (bps)	40	798				

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

**Exhibit 33: International and other MUTUAL FUND performance**  
as of October 22, 2009

Lipper Indices	Avg. Total Return (%)		Stdev		No. of Funds	AUM \$ bil
	1-week	YTD	1-week	YTD		
<b>International Equity</b>						
Global Funds	(0)	29	0.5	10.6	30	178
International Funds	(0)	37	0.5	11.8	30	339
European Funds	0	43	0.5	25.0	10	20
Emerging Market Funds	(1)	73	0.3	9.4	29	NA
<b>Real Estate and Natural Resources</b>						
Real Estate	(1)	20	0.5	9.9	30	29
Natural Resource	0	47	0.1	10.5	10	7
<b>Fixed Income</b>						
General U.S. Government Funds Index	0	4	0.2	5.2	29	NA
A Rated Bond Funds Index	1	14	0.3	8.0	30	NA
BBB Rated Funds Index	1	18	0.4	10.8	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 22, 2009 (a)(b)**

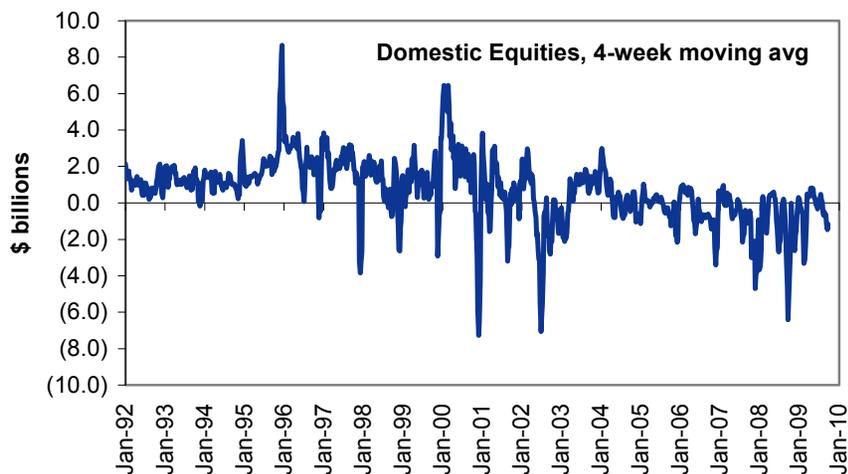
ETF Description			Composition					Performance (%)		Valuation			Growth (%)				Ownership	
Sector / sub-sector	Index	ETF	Market Cap \$ mil	No. of Stocks	Top Stocks as % of ETF			Price Change <sup>(a)</sup>		Valuation			Sales Growth		Earnings Growth		Short Interest Days	Median Hedge Fund Own (%) <sup>(c)</sup>
					1	5	10	1 Wk	YTD	P/E NTM	P/B LTM	Div Yield	2009	2010	2009	2010		
<b>S&amp;P 500</b>	<b>SPX</b>	<b>SPY</b>	<b>73,552</b>	<b>500</b>	<b>4</b>	<b>11</b>	<b>20</b>	<b>(0)</b>	<b>21</b>	<b>15</b>	<b>2.2</b>	<b>2.0</b>	<b>(12)</b>	<b>8</b>	<b>(2)</b>	<b>26</b>	<b>1.8</b>	<b>2.9</b>
<b>S&amp;P 100</b>	<b>OEX</b>	<b>OEF</b>	<b>2,330</b>	<b>100</b>	<b>6</b>	<b>18</b>	<b>31</b>	<b>(0)</b>	<b>17</b>	<b>15</b>	<b>2.3</b>	<b>2.1</b>	<b>(14)</b>	<b>10</b>	<b>(3)</b>	<b>23</b>	<b>1.3</b>	<b>1.9</b>
<b>Nasdaq-100</b>	<b>NDX</b>	<b>QQQQ</b>	<b>17,188</b>	<b>100</b>	<b>16</b>	<b>35</b>	<b>47</b>	<b>1</b>	<b>46</b>	<b>19</b>	<b>3.6</b>	<b>0.6</b>	<b>(2)</b>	<b>9</b>	<b>(2)</b>	<b>21</b>	<b>1.8</b>	<b>3.2</b>
<b>Consumer Discretionary</b>	<b>IXY</b>	<b>XLY</b>	<b>1,315</b>	<b>78</b>	<b>7</b>	<b>28</b>	<b>46</b>	<b>(0)</b>	<b>32</b>	<b>18</b>	<b>2.0</b>	<b>1.5</b>	<b>(9)</b>	<b>4</b>	<b>4</b>	<b>34</b>	<b>2.8</b>	<b>3.8</b>
Homebuilders	SPHOME	XHB	857	25	5	23	43	(2)	27	NM	1.5	1.2	(24)	3	NM	NM	3.0	4.0
Retail	IRH	RTH	457	18	20	55	81	(1)	22	16	2.6	1.6	1	5	(2)	11	1.8	2.9
Retail	SPSIRETR	XRT	685	63	2	9	18	(1)	22	18	2.1	0.9	(5)	4	(2)	18	2.8	6.2
<b>Consumer Staples</b>	<b>IXR</b>	<b>XLP</b>	<b>2,082</b>	<b>41</b>	<b>16</b>	<b>47</b>	<b>66</b>	<b>0</b>	<b>10</b>	<b>14</b>	<b>3.1</b>	<b>2.9</b>	<b>0</b>	<b>4</b>	<b>2</b>	<b>8</b>	<b>2.2</b>	<b>2.3</b>
<b>Energy</b>	<b>IXE</b>	<b>XLE</b>	<b>5,860</b>	<b>40</b>	<b>19</b>	<b>49</b>	<b>63</b>	<b>1</b>	<b>24</b>	<b>17</b>	<b>2.1</b>	<b>1.8</b>	<b>(38)</b>	<b>25</b>	<b>(58)</b>	<b>43</b>	<b>1.5</b>	<b>3.1</b>
Clean Energy	ECO	PBW	788	52	3	15	29	(2)	27	NM	1.8	0.5	7	35	NM	NM	3.0	3.0
Natural Resources	SPGSSINR	IGE	1,674	124	7	29	44	(0)	39	18	2.1	1.4	(33)	26	(54)	43	1.6	3.9
Oil & Gas E&P	SPSIOP	XOP	462	33	4	17	33	(0)	44	21	1.9	1.0	(41)	26	(62)	53	1.5	4.9
Oil Services	OXH	OIH	2,438	16	16	54	84	1	77	15	2.1	0.5	(16)	2	(33)	(7)	1.8	4.1
<b>Financials</b>	<b>IXM</b>	<b>XLF</b>	<b>7,767</b>	<b>79</b>	<b>12</b>	<b>42</b>	<b>56</b>	<b>(2)</b>	<b>22</b>	<b>16</b>	<b>1.2</b>	<b>1.1</b>	<b>NM</b>	<b>NM</b>	<b>NM</b>	<b>74</b>	<b>1.2</b>	<b>3.0</b>
Banks	BKX	KBE	854	24	9	38	60	(3)	7	NM	0.9	1.0	NM	NM	NM	NM	0.8	2.7
Broker-Dealers	DJSINV	IAI	207	26	11	42	64	(2)	51	16	1.5	0.9	NM	NM	NM	130	1.2	2.8
Insurance	KIX	KIE	208	24	8	35	59	(1)	33	12	1.0	1.8	NM	NM	(41)	260	1.1	3.7
Real Estate	DJUSRE	IYR	2,987	74	9	26	41	(1)	14	13	1.7	4.5	NM	NM	(20)	(1)	3.1	3.0
Regional Banks	KRX	KRE	341	50	3	14	27	0	(25)	49	0.9	2.2	NM	NM	NM	NM	7.3	2.4
REITs	RMZ	VNQ	3,866	97	10	28	43	(1)	12	13	1.6	3.9	NM	NM	(25)	(2)	3.2	2.9
<b>Health Care</b>	<b>IXV</b>	<b>XLV</b>	<b>2,095</b>	<b>53</b>	<b>14</b>	<b>42</b>	<b>60</b>	<b>(1)</b>	<b>9</b>	<b>12</b>	<b>2.7</b>	<b>2.0</b>	<b>3</b>	<b>6</b>	<b>0</b>	<b>9</b>	<b>2.8</b>	<b>2.9</b>
Biotech	SPSIBI	XBI	397	27	5	22	41	(4)	(6)	NM	4.7	0.0	9	14	NM	NM	2.9	10.7
Pharmaceuticals	IPH	PPH	619	17	25	74	94	(6)	2	11	3.0	3.1	3	11	(3)	10	3.6	2.4
<b>Industrials</b>	<b>IXI</b>	<b>XLI</b>	<b>1,990</b>	<b>59</b>	<b>12</b>	<b>33</b>	<b>48</b>	<b>(0)</b>	<b>16</b>	<b>17</b>	<b>2.4</b>	<b>2.3</b>	<b>(11)</b>	<b>2</b>	<b>(31)</b>	<b>12</b>	<b>2.2</b>	<b>2.1</b>
Transportation	TRAN	IYT	449	20	11	43	69	(2)	11	34	1.9	1.9	(21)	4	(89)	NM	2.2	4.3
<b>Information Technology</b>	<b>IXT</b>	<b>XLK</b>	<b>3,998</b>	<b>85</b>	<b>10</b>	<b>40</b>	<b>64</b>	<b>0</b>	<b>39</b>	<b>16</b>	<b>3.2</b>	<b>1.6</b>	<b>(4)</b>	<b>5</b>	<b>(6)</b>	<b>19</b>	<b>1.5</b>	<b>3.5</b>
Semiconductors	SPGSTISM	IGW	240	45	9	38	56	(2)	56	26	2.7	1.4	(16)	16	(72)	386	2.1	3.9
Semiconductors	XSH	SMH	780	18	23	68	89	(1)	46	20	3.0	2.0	(17)	15	(46)	157	1.7	3.2
Software	SPGSTISO	IGV	314	41	9	38	60	(1)	42	18	3.3	0.3	(2)	6	0	14	1.8	3.2
Telecom Services	DJSTELT	IYZ	492	32	18	48	68	(1)	11	23	1.6	4.3	(0)	3	40	36	2.5	4.5
<b>Materials</b>	<b>IXB</b>	<b>XLB</b>	<b>1,842</b>	<b>30</b>	<b>12</b>	<b>48</b>	<b>69</b>	<b>(1)</b>	<b>42</b>	<b>20</b>	<b>2.4</b>	<b>1.8</b>	<b>(23)</b>	<b>10</b>	<b>(57)</b>	<b>79</b>	<b>1.6</b>	<b>2.6</b>
Gold Miners	GDM	GDX	5,366	31	14	44	68	(2)	40	27	2.5	0.4	14	19	65	40	1.1	3.4
Metals & Mining	SPSIMM	XME	798	23	5	25	48	(3)	72	25	1.9	1.1	(33)	14	(93)	NM	1.5	3.6
Steel	STEEL	SLX	316	27	13	48	72	(3)	92	28	1.7	1.5	(44)	24	(91)	470	1.6	2.0
<b>Utilities</b>	<b>IXU</b>	<b>XLU</b>	<b>2,562</b>	<b>35</b>	<b>9</b>	<b>35</b>	<b>56</b>	<b>1</b>	<b>3</b>	<b>13</b>	<b>1.6</b>	<b>4.4</b>	<b>NM</b>	<b>NM</b>	<b>(4)</b>	<b>8</b>	<b>2.5</b>	<b>2.1</b>

(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.

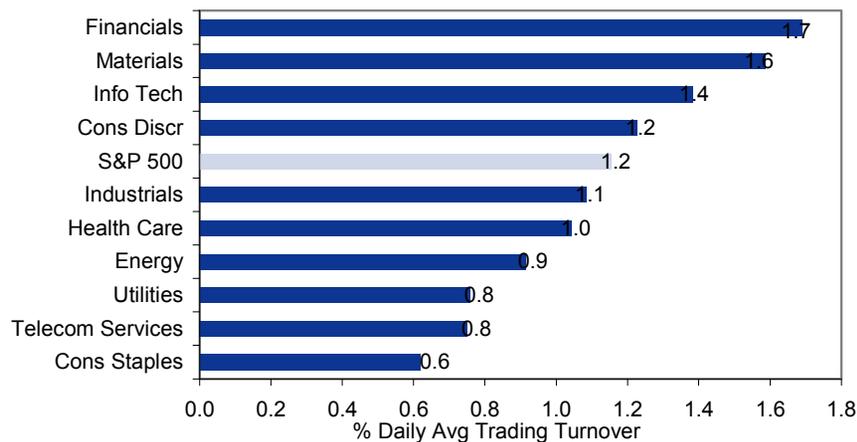
## Fund Flows

**Exhibit 35: Domestic equity mutual fund flows, 4-week moving average**  
week ended October 22, 2009



Source: AMG and Goldman Sachs Global ECS Research.

**Exhibit 37: Average daily TRADING TURNOVER over the last week**  
by sector, as of October 22, 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 22, 2009; excluding ETFs

	AMG Weekly Mutual Fund Flows, ex-ETFs (\$ billions)				
	Total AMG Assets	Weekly Flows		1-Week Flow % of Assets	Inflow/(Outflow) (Cons. Weeks)
		4-Week Avg	This week		
<b>All Equity</b>	<b>1,600</b>	<b>(1)</b>	<b>1</b>	<b>0.1 %</b>	<b>1</b>
U.S. Equity	1,172	(1)	0	0.0	1
Int'l Equity	316	0	1	0.3	16
Global	112	0	0	0.1	2
Equity Income	74	(0)	(0)	(0.0)	(2)
Gold & Nat Res	25	0	0	0.6	3
<b>Money Market</b>	<b>2,978</b>	<b>(21)</b>	<b>(18)</b>	<b>(0.6)</b>	<b>(2)</b>
<b>All Bonds</b>	<b>749</b>	<b>10</b>	<b>5</b>	<b>0.6</b>	<b>32</b>
Govt Treasury	15	0	0	1.3	5

Source: AMG and Goldman Sachs Global ECS Research.

**Exhibit 38: Top ten S&P 500 STOCKS by daily average trading turnover**  
as of October 22, 2009

Company	Ticker	Sector	Avg Daily Trading Turnover (%)	1-Week Total Return (%)
American Int'l. Group	AIG	Financials	17.8	(7)
Marshall & Ilsley Corp.	MI	Financials	10.3	(22)
Lexmark Int'l Inc	LXK	Information Technology	8.9	22
United States Steel Corp.	X	Materials	8.2	(9)
SanDisk Corp.	SNDK	Information Technology	7.5	4
Zions Bancorp	ZION	Financials	7.2	(8)
Citigroup Inc.	C	Financials	7.1	(6)
AK Steel	AKS	Materials	6.5	(10)
Ciena Corp.	CIEN	Information Technology	6.4	(5)
Novellus Systems	NVLS	Information Technology	6.2	9
<b>S&amp;P 500 Average</b>			<b>1.6</b>	<b>(0)</b>

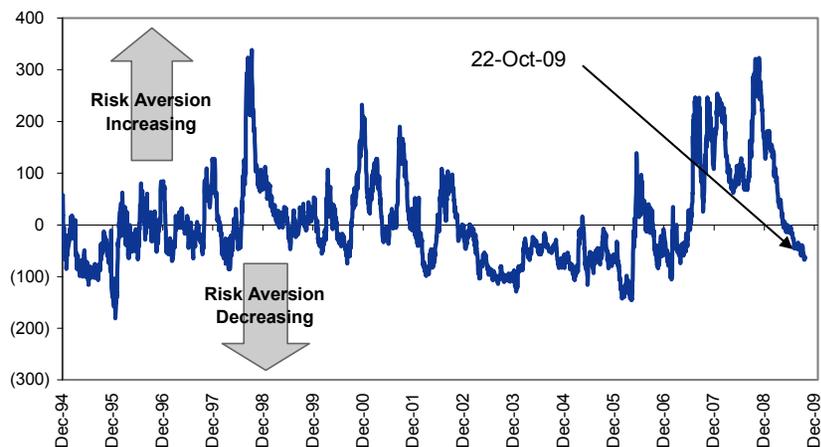
Daily average trading turnover = daily avg trading value / avg market cap (over the past 5 trading days).

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

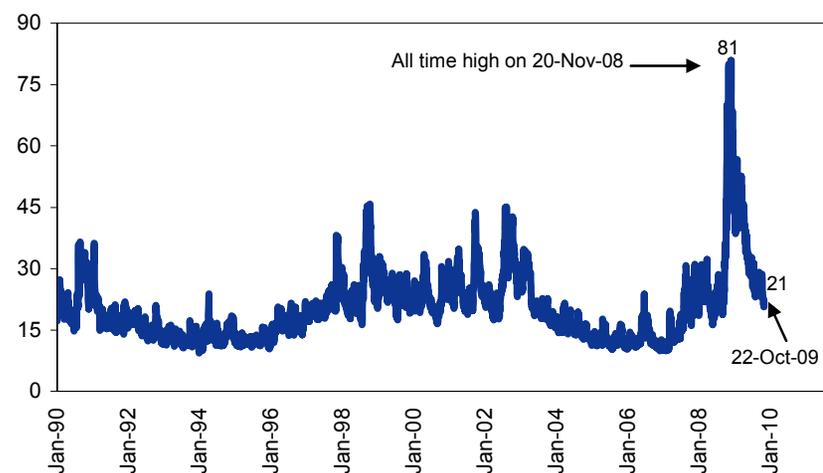


Note: metrics included are implied option volatility (S&P 500 and Nasdaq 100), normalized skew, high yield credit spreads, credit derivative swap spreads, mutual fund net flows, and cash levels.

Source: Goldman Sachs Research.

## Exhibit 40: VIX Volatility Index

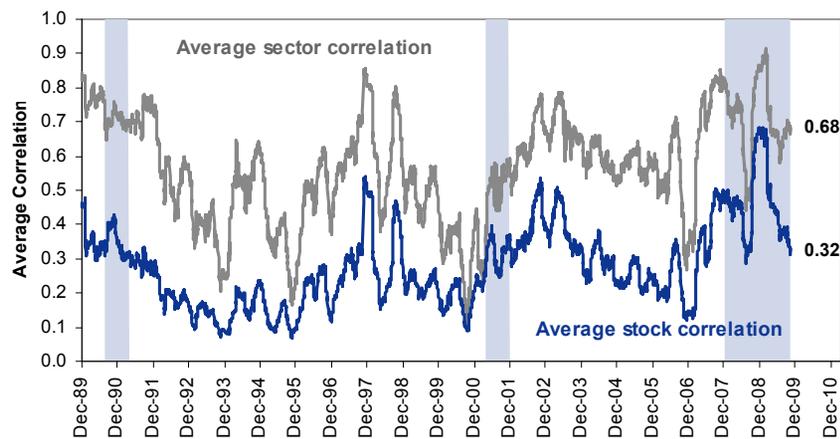
as of October 22, 2009



Source: Goldman Sachs Global ECS Research.

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

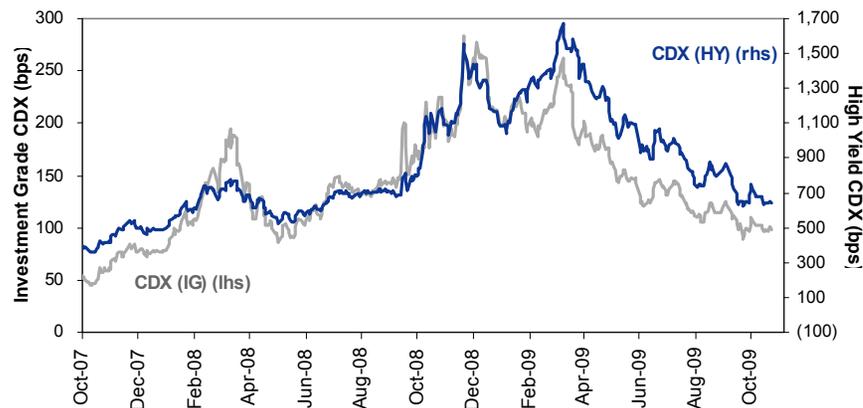
as of October 22, 2009



Source: Goldman Sachs Global ECS Research.

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

as of October 22, 2009



Source: Goldman Sachs Global ECS Research.

# Goldman Sachs Recommendations and Forecasts

**Exhibit 43: Goldman Sachs Recommended Sector Weightings**  
as of October 22, 2009

Sectors	Total Return YTD	Sector Weightings			GS Alpha YTD
		Goldman Sachs Recommended Sector Weightings	Current S&P 500 Weight	GS Overweight / Underweight	
Energy	19 %	<b>Overweight</b>	13 %	300 bp	1 bp
Materials	44		4	200	4
Financials	24		15	200	15
Information Technology	51		19	100	(1)
Industrials	17		10	100	2
Utilities	7	<b>Neutral</b>	4	0	13
Consumer Discretionary	34		9	0	(14)
Telecom Services	(1)	<b>Underweight</b>	3	(200)	20
Health Care	11		12	(300)	(16)
Consumer Staples	13		12	(400)	(6)
<b>S&amp;P 500</b>	<b>23 %</b>		<b>100 %</b>	<b>0 bp</b>	<b>19 bp</b>

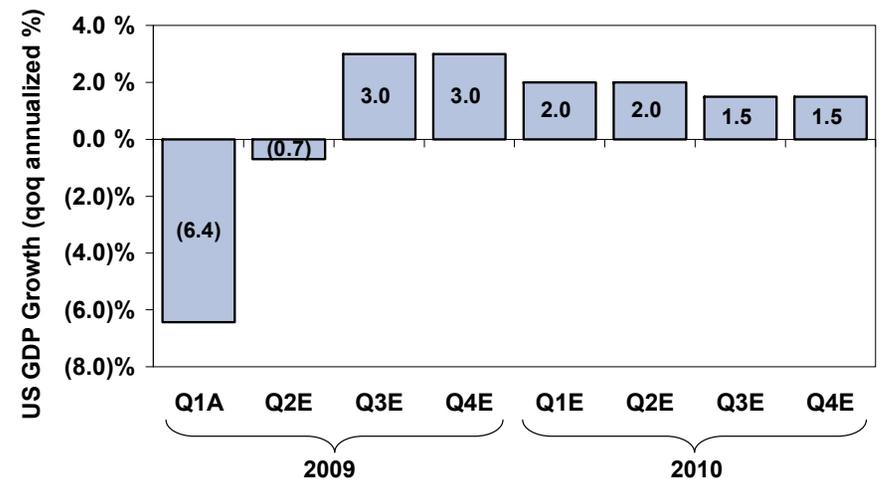
Source: Goldman Sachs Global ECS Research. (a) Sector weightings last rebalanced 20-July-09.

**Exhibit 45: Goldman Sachs COMMODITY and CURRENCY forecasts**  
as of October 22, 2009

	units	Current	Forecasts		
			3m	6m	12m
<b>Energy</b>					
WTI Crude Oil	\$/bbl	81.19	85.00	87.50	94.00
NYMEX Nat. Gas	\$/mmBtu	4.95	6.50	7.00	7.70
RBOB Gasoline	\$/gal	2.04	2.14	2.34	2.36
<b>Industrial Metals</b>					
LME Copper	\$/mt	6590	6970	7000	7400
London Gold	\$/troy oz	1058	960	960	960
London Silver	\$/troy oz	17.55	15.60	15.50	16.00
<b>Currencies</b>					
Euro / US Dollar	EUR/\$	1.50	1.55	1.55	1.35
US Dollar / Yen	\$/¥	91.5	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 22, 2009



Source: Goldman Sachs Global ECS Research.

**Exhibit 46: Goldman Sachs US Economics forecasts**  
as of October 22, 2009

	% Annual Change		
	2008A	2009E	2010E
<b>Real GDP</b>	<b>0.4%</b>	<b>(2.5)%</b>	<b>2.0%</b>
Consumer Spending	(0.2)	(0.7)	1.0
Total Fixed Investment	(5.1)	(18.9)	(2.3)
Business Fixed Investment	1.6	(18.4)	(5.9)
Residential Investment	(22.9)	(20.7)	10.6
Federal Government Spending	7.7	6.1	7.0
Exports of Goods and Services	5.4	(11.1)	7.0
Imports of Goods and Services	(3.2)	(15.5)	3.4
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 Baskets<sup>1</sup>

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.

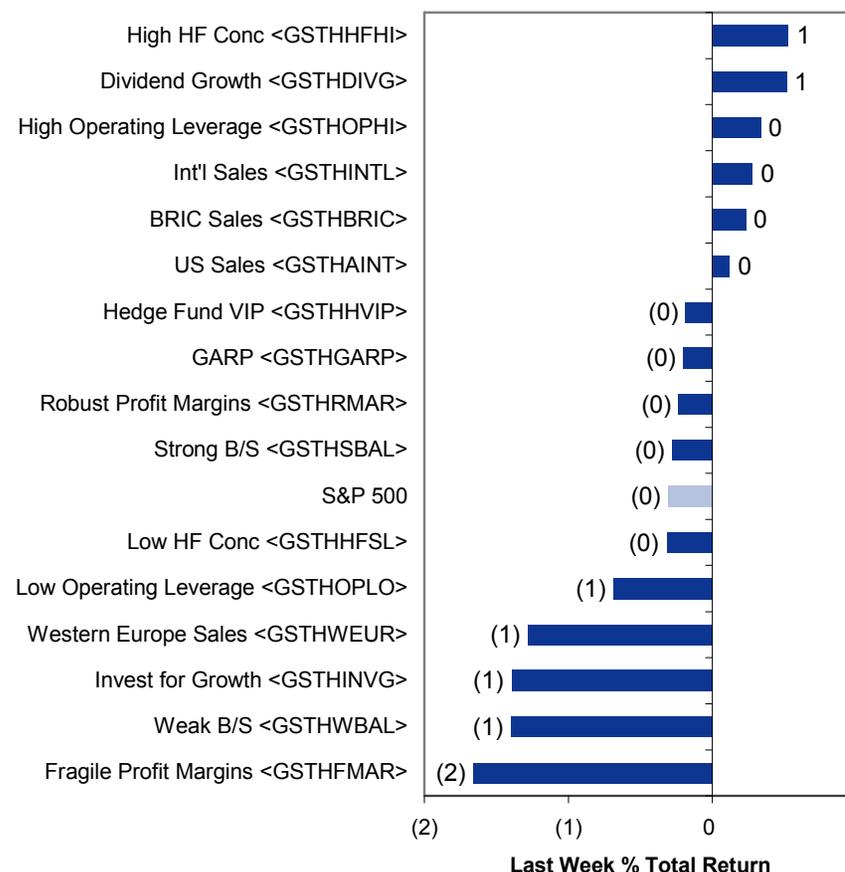
**To obtain access to our baskets on Bloomberg, please contact your Goldman Sachs salesperson.**

**Exhibit 47: Strategy basket summary performance and valuation data**  
as of October 22, 2009

	Bloomberg Ticker	Total Return %			P/E	P/B	Div Yld
		1 wk	1 mo	YTD	NTM	LTM	(%)
<b>Macroeconomic Baskets</b>							
International Sales	GSTHINTL	0 %	3 %	43 %	18x	4.5x	1.7 %
US Sales	GSTHAINT	0	2	18	17	3.4	1.8
Western Europe Sales	GSTHWEUR	(1)	1	48	18	3.5	0.9
BRICs Sales	GSTHBRIC	0	1	56	19	4.2	1.1
Strong Balance Sheet	GSTHSBAL	(0)	2	34	20	6.1	1.1
Weak Balance Sheet	GSTHWBAL	(1)	(0)	67	22	2.9	1.9
Robust Profit Margins	GSTHRMAR	(0)	1	28	18	6.1	1.4
Fragile Profit Margins	GSTHFMAR	(2)	1	36	22	2.4	0.8
High Op Leverage	GSTHOPHI	0	5		24	3.7	1.3
Low Op Leverage	GSTHOPLO	(1)	3		16	5.3	2.0
<b>Hedge Fund Baskets</b>							
High HF Concentration	GSTHHFHI	1 %	0 %	81 %	18x	3.1x	0.9 %
Low HF Concentration	GSTHHFSL	(0)	1	18	14	2.9	2.9
Hedge Fund VIP	GSTHHVIP	(0)	1	36	17	4.8	1.3
<b>Valuation Baskets</b>							
GARP	GSTHGARP	(0)%	4 %	36 %	19x	4.5x	0.8 %
<b>Use of Cash Baskets</b>							
Dividend Growth	GSTHDIVG	1 %	3 %	13 %	15x	6.1x	3.4 %
Invest for Growth	GSTHINVG	(1)	1		18	4.9	1.5
<b>S&amp;P 500</b>		<b>(0)%</b>	<b>2 %</b>	<b>23 %</b>	<b>15x</b>	<b>2.3x</b>	<b>2.0 %</b>
<b>S&amp;P 500 Average</b>		<b>(0)</b>	<b>2</b>	<b>23</b>	<b>18</b>	<b>3.3</b>	<b>1.7</b>

Source: Bloomberg and Goldman Sachs Global ECS Research.

**Exhibit 48: Strategy basket total return performance over the last week**  
as of October 22, 2009



Source: Bloomberg and Goldman Sachs Global ECS Research.

<sup>1</sup> 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 22, 2009

Company	Ticker	Rating	Sales	
			Non-US	BRICs
<b>Information Technology (20% of the Basket)</b>				
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
<b>Basket median</b>			<b>91 %</b>	<b>63 %</b>
<b>Sector median</b>			<b>51</b>	<b>0</b>
<b>Health Care (14% of the Basket)</b>				
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
<b>Basket median</b>			<b>51 %</b>	<b>16 %</b>
<b>Sector median</b>			<b>36</b>	<b>0</b>
<b>Consumer Staples (13% of the Basket)</b>				
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
<b>Basket median</b>			<b>76 %</b>	<b>33 %</b>
<b>Sector median</b>			<b>24</b>	<b>0</b>
<b>Energy (13% of the Basket)</b>				
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
<b>Basket median</b>			<b>80 %</b>	<b>17 %</b>
<b>Sector median</b>			<b>34</b>	<b>0</b>

Company	Ticker	Rating	Sales	
			Non-US	BRICs
<b>Financials (11% of the Basket)</b>				
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
<b>Basket median</b>			<b>36 %</b>	<b>10 %</b>
<b>Sector median</b>			<b>4</b>	<b>0</b>
<b>Industrials (9% of the Basket)</b>				
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
<b>Basket median</b>			<b>63 %</b>	<b>23 %</b>
<b>Sector median</b>			<b>34</b>	<b>0</b>
<b>Consumer Discretionary (8% of the Basket)</b>				
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
<b>Basket median</b>			<b>83 %</b>	<b>83 %</b>
<b>Sector median</b>			<b>20</b>	<b>0</b>
<b>Materials (5% of the Basket)</b>				
Newmont Mining Corp. (Hldg. Co.)	NEM	NC	71 %	48 %
Mosaic Co.	MOS	Neutral	65	35
<b>Basket median</b>			<b>68 %</b>	<b>42 %</b>
<b>Sector median</b>			<b>42</b>	<b>0</b>
<b>Utilities (4% of the Basket)</b>				
AES Corp.	AES	NC	81 %	68 %
Duke Energy	DUK	Neutral	9	8
<b>Basket median</b>			<b>45 %</b>	<b>38 %</b>
<b>Sector median</b>			<b>0</b>	<b>0</b>
<b>Telecommunication Services (3% of the Basket)</b>				
NII Holdings Inc.	NIHD	Neutral	100 %	46 %
American Tower Corporation	AMT	Buy	13	4
<b>Basket median</b>			<b>56 %</b>	<b>25 %</b>
<b>Sector median</b>			<b>0</b>	<b>0</b>
<b>GSTHBRIC median</b>			<b>68 %</b>	<b>23 %</b>
<b>S&amp;P 500 median</b>			<b>25</b>	<b>0</b>

\*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: 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: Themes from 1Q earnings: Signs of stabilization and China Strength		August 5, 2009	
Periodical Research	Description	Frequency	Timing / Recent Release
US Weekly Kickstart	<i>Five minute guide to the US equity market</i>	Weekly	Friday PM
US Tradesheet	<i>Two-pager on recommended trades and US market data</i>	Weekly	Monday AM
S&P 500 Beige Book	<i>Qualitative assessment of S&amp;P 500 quarterly earnings reports</i>	Quarterly	August 5, 2009
US Monthly Chartbook	<i>Monthly report on where to invest in the S&amp;P 500</i>	Monthly	October 2, 2009
Where to Invest Now	<i>Marketing presentation highlighting recent research and best trade ideas</i>	Monthly	September 18, 2009
Hedge Fund Trend Monitor	<i>Analysis of hedge fund holdings and positioning</i>	Quarterly	August 24, 2009
Strategy Baskets	<i>Overview of US Portfolio Strategy thematic baskets</i>	Quarterly	August 19, 2009

Source: Goldman Sachs Global ECS Research.

## Disclosures

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The Equities Division of the firm has previously introduced the basket of securities discussed in this report. The Equity Analyst may have been consulted as to the composition of the basket prior to its launch. However, the views expressed in this research and its timing were not shared with the Equities Division.

## Reg AC

I, David J. Kostin, hereby certify that all of the views expressed in this report accurately reflect my personal views about the subject company or companies and its or their securities. I also certify that no part of my compensation was, is or will be, directly or indirectly, related to the specific recommendations or views expressed in this report.

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