

Advisor Confidence Falls in the New Year

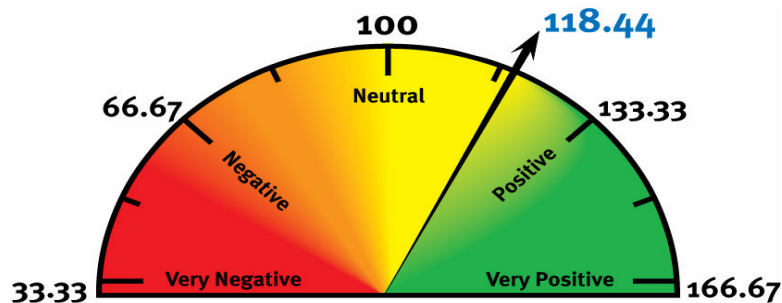
Advisors declare themselves “cautiously optimistic”

Advisors not worried about interest rates in a post-Greenspan world, while investors are concerned.

January 30, 2005 ... Rockville, MD...The Advisor Confidence Index (ACI) decreased in January, according to Rydex AdvisorBenchmarking, Inc., an affiliate of Rydex Investments. A December 2005 AdvisorBenchmarking survey revealed that registered investment advisors see no dramatic increases in interest rates in a post-Greenspan world. Their clients, however, anticipate significant hikes. That disconnect is evident via the study’s results, which show that only 23% of advisors believe that interest rates are likely to increase dramatically when Alan Greenspan departs the Fed. But nearly half of their clients, 44%, rated such increases as likely.

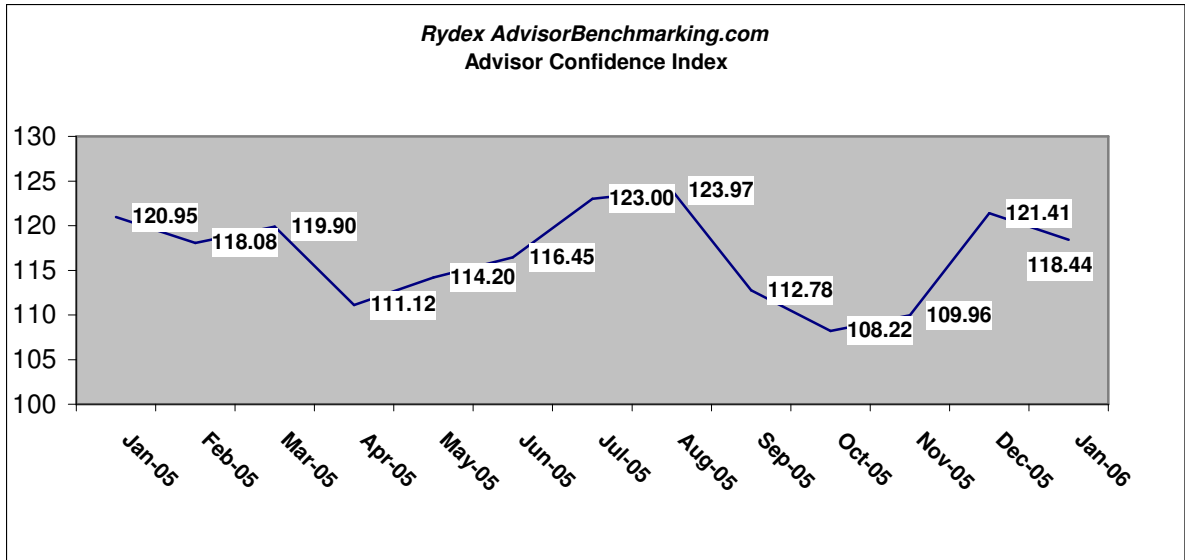
Advisor Confidence

The ACI—a benchmark that gauges advisors’ views on the U.S. economy and markets—declined 2.5% in January to 118.44, down from 121.41 in December. Although advisors expect to see a more favorable stock market environment, their confidence in the economic outlook decreased.



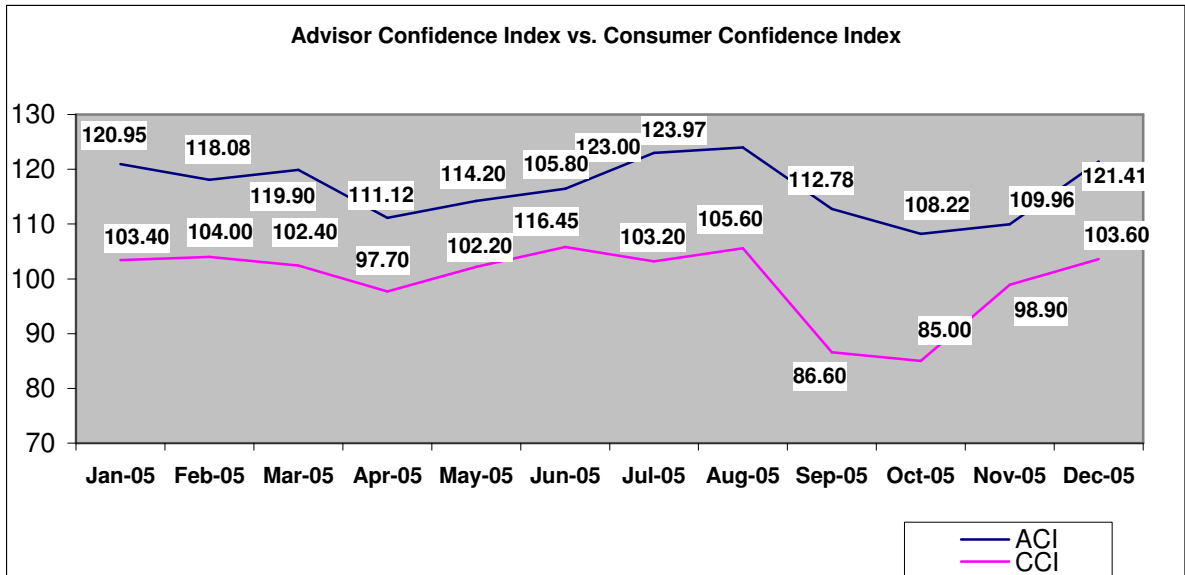
Three out of four elements used to calculate the ACI dropped in January, with the six-month economic outlook decreasing the most—down 4.59%. A closer look at the components reveals the following:

Current economic outlook	-4.50%
Six-month economic outlook	-4.59%
12-month economic outlook	-1.91%
Stock market outlook	+1.63%



Advisor vs. Consumer Confidence

Of note, the Conference Board Consumer Confidence Index (CCI), which had rebounded in November, improved further in December. The CCI stood at 103.60 up 4.75% compared to a 10.41% increase for the advisor index.



Notable Comments from Participating Advisors

Most of the advisors who participate in the index have elected to have their names made available to reporters who would like to interview them about their economic sentiments. AdvisorBenchmarking can facilitate such interviews for reporters.

“The stock market and the economy are likely at an inflection point—a recession or a pause that refreshes. If your time horizon for stocks is at least five years, it shouldn't matter which occurs since we are very near fair value.”

-- Bill Ramsay, Financial Symmetry Inc.

“Looking back at ‘experts’ early estimates for 2005 economic activity, we find that most did not have an adequate grip on what was really happening. This is nothing new, but many continue to underestimate the resilience and strength of the U.S. economy. I don't believe much has changed with the turn of the calendar from December to January and 2006 could be another decent year in the global stock markets, much like 2005 where the MSCI World Index gained 10%. There remain plenty of risks to consider and therefore investors must remain attentive to their portfolio holdings and diversification. It's no time to get overly aggressive but it also is not necessary to be overly pessimistic. Once again we describe our view as ‘cautiously optimistic.’”

-- Daniel Roe, Budros Ruhlin Roe

“Now that we can see the end of the interest rate hikes, expect to see a more favorable stock market environment.”

-- Jim Elder, ElderAdo Financial

“Too much was made in January by the market of the tone of the December FOMC minutes. Look back at CRB for the last few years, inflation is a stealthy stalker. Global competitiveness has kept inflation masked and at bay so far but it will begin to show its more historically normal hand in 2006.”

-- Ken Graves, Capital Research

“The indications from the Federal Reserve that they are close to finished with their tightening program are good news for the stock and bond markets. Typically, about eight months after they stop tightening, they begin to lower interest rates. So despite the worries of the housing bubble, we have a sign of hope.”

-- Michael Sadoff, Sadoff Investment Management LLC

“We are cautiously optimistic.”

-- Pat Raskob, Raskob Kambourian Financial

“The Dow crossing over 11,000 should provide the psychological cushion that many ‘on the fence’ investors needed to re-enter the equity markets, post 9/11.”

-- Paul Bennett, Private Wealth Advisers, LLC

“Is it me, or is there a lot of hero worship going on right now? It seems that so much time, energy and media space is devoted to every word that comes out of the Fed. Whether it's Greenspan or Ben Bernanke, it is difficult to get away from investor speculation about what the Fed will do or not do next. Now, I don't want to minimize the role of the central bank. I just want to point out that there are other things that determine our clients' ultimate financial success. No matter what the Fed does, our clients are still trying to plan for their current and future lifestyle. Hanging on what the Fed may or may not do is like a football fan saying that his team can't win the game because they failed to make a first down three minutes into the game. Fed policy is important to be aware of, but all of the market gossip that accompanies it serves to distract investors from the many other factors they should consider when creating or adjusting long-term portfolio strategy.”

-- Robert Isbits, Emerald Asset Advisors

About Rydex AdvisorBenchmarking, Inc., an Affiliate of Rydex Investments

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findings and analysis of the data are then released to the marketplace as annual studies, quarterly research notes and monthly newsletters. The service is aimed at helping advisors grow and enhance their firms by comparing how their businesses fare against other advisors. Advisors also learn best practices of the most successful advisors in the business. AdvisorBenchmarking is an affiliate of Rydex Investments.

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