

MarketAttributes Snapshot  
S&P 500

MarketAttributes is a snapshot of the U.S. market, as measured by the S&P 500, taken at the end of each month. It seeks to highlight those statistical factors that have impacted market performance over the course of the month, such as stock buybacks, cash levels, and dividend payments.

MarketAttributes is a product of the Standard & Poor's Index Services Group by Senior Index Analyst, Howard Silverblatt.

For additional information covering a wide scope of topics and a complete set of current and historical data that supports analysis summarized in this snapshot, visit: [www.marketattributes.com](http://www.marketattributes.com)  
[standardandpoors.com](http://standardandpoors.com)

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**THE MARKET**

October 2008 marks the ninth worst performing month in the history of the S&P 500, with the index ending the month down 16.94%. Year-to-date the index was off 34.02%, with Financials down 46.66%. The best performer was Consumer Staples declining 15.31%. Since the October 2007 high, the market has lost US\$ 5.32 trillion, US\$ 1.70 trillion month-to-date, and US\$ 4.32 trillion year-to-date. All ten sectors were negative for the month with Financials (-22.74%) taking the lead away from Materials (-22.18%). Telecommunications was the best performer with a 9.53% decline.

Notable gainers for the month include WB's 83.1% (-83.1% YTD) and NCC's 54.3% gains (-83.6% YTD), FHN (+27.2% for October, -32.4% YTD), HBAN (+18.3% for October, -36.0% YTD), and APOL (+17.2% for October, -0.9% YTD). On the regrets side was HIG declining 74.8%, posting a year-to-date return of -88.2%, GGP (-72.6% for October, -90.0% YTD), PLD (-66.1% for October, -77.9% YTD), LNC (-59.7% for October, -70.4% YTD), and CVH (-59.5% for October, -77.7% YTD). Overall, 18 issues are up at least 10% year-to-date; 431 are down at least 10% (86.2% of the index); 7 are up at least 25%; 343 (68.6% of the index) are down at least 25%; one is up 50% (BIG at 52.8%); 123 issues lost at least half (24.6% of the index); 18 lost at least 75% (3.6% of the index); and one declined over 90% (AIG at -96.7%).

**BREADTH**

Breadth was terrible in October, with only 28 issues gaining (average +11.0%) and 470 issues declining (average -22.76%). Year-to-date breadth had 30 issues gaining (average +16.31%) and 464 declining (average -38.28%).

**GLOBAL INDUSTRY CLASSIFICATION:** Preliminary Capital Appreciation Contributions to the S&P 500

% CHANGES	OCTOBER 2008	FROM 7/31/2008	1-YEAR (10/31/2007)	2-YEARS (10/31/2006)	FROM 10/09/2002	FROM 03/24/2000	10-YEARS ANNUALIZED
Consumer Discretionary	-19.27%	-20.44%	-38.40%	-39.16%	6.38%	-37.41%	-1.53%
Consumer Staples	-11.08%	-10.32%	-13.98%	-4.46%	22.64%	52.35%	0.75%
Energy	-18.01%	-28.45%	-31.47%	-6.64%	135.10%	91.63%	8.05%
Financials	-22.74%	-27.73%	-53.76%	-56.10%	-16.43%	-37.44%	-3.19%
Health Care	-11.80%	-15.96%	-25.42%	-19.11%	4.91%	-2.35%	-0.67%
Industrials	-18.93%	-27.59%	-39.95%	-28.82%	32.13%	-18.25%	0.50%
Information Technology	-17.81%	-26.84%	-41.68%	-26.48%	48.90%	-73.75%	-3.14%
Materials	-22.18%	-37.41%	-42.47%	-24.58%	52.27%	14.48%	1.78%
Telecommunication Services	-9.53%	-18.19%	-40.89%	-30.12%	26.78%	-67.13%	-7.69%
Utilities	-11.87%	-23.59%	-31.39%	-18.42%	91.62%	0.17%	-0.61%
S&P 500	-16.94%	-23.56%	-37.47%	-29.70%	24.72%	-36.58%	-1.25%

## WORLD MARKETS

The 52 global markets that comprise the S&P Broad Market Indices lost a record US\$ 5.79 trillion in October, 45% worse than September 2008 which had a US\$ 4.0 trillion loss. From the May turnaround, US\$ 14.58 trillion has been lost by investors, with the year-to-date at US\$ 16.42 trillion. Notably, the U.S. market has been one of the better performers, although losses have been substantial. To some extent, the much higher expectations of non-U.S. growth and U.S. decoupling have caused a stronger market decline abroad. The greater U.S. equity market liquidity, political stability, and changing currency rate helps to explain the performance variance. As a result, the U.S. is now 45.9% of all global equity issues compared to 40.5% at the end of May 2008.

Monthly. \*By market value.

PERIOD	ISSUES UP	ISSUES UNCHANGED	ISSUES DOWN	AVERAGE % CHANGE	TOP 10* % AVG CHANGE	TOP 25* % AVG CHANGE	TOP 50* % AVG CHANGE	S&P 500 % CHANGE
Oct,'08	28	2	470	-20.89	11.59	-13.96	-12.71	-16.94
Sep,'08	65	3	435	-10.56	-0.35	-2.95	-5.93	-9.08
Aug,'08	320	3	177	2.63	3.14	1.44	1.21	1.22
Jul,'08	249	2	249	-0.54	4.58	2.62	2.65	-0.99
Jun,'08	66	2	432	-9.99	-6.21	-8.67	-7.49	-8.60
May,'08	313	5	182	2.34	1.27	-1.18	0.81	1.07
Apr,'08	369	3	128	5.16	2.65	5.95	5.48	4.75
Mar,'08	244	4	252	-1.47	3.45	1.06	0.01	-0.60
Feb,'08	159	2	339	-3.17	-3.55	-3.81	-3.07	-3.28
Jan,'08	143	2	355	-4.51	-4.52	-6.25	-5.92	-6.12

## BUYBACKS

Q2 2008 buybacks fell 44% over Q2 2007. A good deal of the support was from employee option coverage, with few reductions in shares found. That employee option support (options expiring this year that trace their strike back years) has significantly deteriorated due to the current market prices of the underlying shares. Companies, therefore, are expected to continue to pull back on their purchases. Standard & Poor's will be looking for issues that do repurchase additional shares (over option use) that are not in a market situation, as well as for any issues that may be using their treasury shares to satisfy options and therefore getting financing under the radar.

## PENSIONS

Last year S&P 500 companies were able to brag with US\$ 63 billion in over funding for their pension funds, a value not seen since 1995. Well, it is ten months later, and companies look like they are on the way to reporting the largest under funding in history. Going into 2008, the companies estimated an 8% return on their pension assets, and used those numbers in their reporting, allocations, and planned contributions. Sixty one percent of their money was in Equity, 32% in Fixed Income, 2% in Real Estate and 5% in the "catch all" Other category. Companies also had 15% in foreign markets, which significantly helped them obtain that over funding status last year. This month, the U.S. market is down over a third, and the emerging markets are down over half this year, so the 61% in Equity may not be doing that well. Interest rates are down, but the key to the 32% in Fixed Income is what instruments companies are invested in. At best a small profit would be nice; at worst, some of the fixed investments may make the mark to market level three look good.

Since 2002 the accounting requirements have changed and companies now have to put their funding status on the balance sheet, and since assets still equal liabilities, equity will have to be marked down. The under funding will also have to be addressed with large unplanned cash infusions, which will come at a time when liquidity is tight. Overall, Standard & Poor's expects few companies to remain over funded and for the payments to add more pressure on companies to reduce the already dwindling number of defined pension programs out there.

## EARNINGS

With 77% of third quarter earnings reported, the quarter is coming in at -13.4%. Financials continue to be the problem, and with 88% of the Financials issues in, the sector should easily post its fourth consecutive quarter of negative earnings. Non-Financials are coming in at a double-digit gain, with a limited number of charges; therefore, the cash-flow should be positive. Forty-eight percent of the issues are coming in ahead of estimates, and 49% are short. The values are slightly better for the non-Financials subset: 51% and 45%. Sales are 6.7% ahead of last year, with 69% of the issues coming in ahead of last year. Energy continues to contribute the largest portion of

### S&P 500 OPERATING EARNINGS PER SHARE: (By Year)

	2004 P/E	2005 P/E	2006 P/E	2007 P/E	2008 P/E	2009 P/E
Consumer Discretionary	20.50	19.64	19.19	19.51	19.22	12.89
Consumer Staples	18.52	17.85	18.91	19.18	14.80	13.31
Energy	11.85	10.66	10.44	13.03	7.21	6.84
Financials	13.31	13.32	13.17	17.20	2250.29	10.64
Health Care	20.45	19.70	19.33	17.58	12.29	10.74
Industrials	22.11	17.74	16.95	16.65	10.22	9.88
Information Technology	26.17	22.16	23.56	23.72	13.10	11.41
Materials	18.16	15.62	14.20	16.27	9.72	9.63
Telecommunication Services	18.88	16.20	19.48	20.35	11.61	10.09
Utilities	16.50	16.40	16.23	18.53	11.56	10.54
S&P 500	17.93	16.33	16.17	17.79	13.35	10.28

### S&P 500 OPERATING EARNINGS PER SHARE: (By Year)

	Q1 2008 OVER Q1 2007	Q2 2008 OVER Q2 2007	Q3 2008 OVER Q3 2007	Q4 2008 OVER Q4 2007	2008 OVER 2007
Consumer Discretionary	-20.11%	-56.64%	-16.24%	-20.87%	-30.17%
Consumer Staples	17.98%	8.73%	7.14%	6.47%	9.74%
Energy	23.83%	5.33%	45.34%	10.83%	20.24%
Financials	-107.71%	-109.87%	-124.63%	183.62%	-99.59%
Health Care	2.49%	10.00%	5.37%	19.74%	9.15%
Industrials	7.19%	12.65%	0.59%	-8.70%	2.54%
Information Technology	12.02%	21.92%	18.82%	3.53%	13.26%
Materials	6.43%	4.14%	-4.79%	-5.25%	0.62%
Telecommunication Services	17.39%	9.55%	-2.64%	10.77%	8.33%
Utilities	14.92%	15.12%	0.58%	14.74%	9.75%
S&P 500	-25.75%	-29.26%	-13.40%	36.78%	-12.12%

the earnings, now accounting for 28% (their market value is 13%) of the Q3, 08 earnings. Going forward estimates are expected to come down considerably by the end of November. Standard & Poor's believes impairment charges will be significant in Q4, 08.

## DIVIDENDS

The 1.2% expected 2008 increase is the lowest growth rate for dividends since 2001 when payments were down 3.3%. However, the full impact of the annual dividend reductions will not be felt until 2009. Q4,'08 over Q4,'07 payment is expected to decline 10%, and will be the worst quarterly change since 1958. The 16 dividend decreases in Financials for September and October reduced dividend payments US\$ 14.6 billion. For 2008, over half of the S&P 500 issues are expected to pay out more this year than in 2007. Due to recent events, including government actions that might limit dividend payments, Standard & Poor's is reducing the indicated dividend rate from US\$ 28.85 to US\$ 27.35. October showed 10 increases and 12 declines, making the month the worst thus far; the prior worst month was +6 in September 2008. Much worse has been the dollar loss, with US\$ 8.5 billion in reductions and US\$ 0.45 billion in increases for October. Year-to-date, there have been US\$ 33.2 billion in reductions, easily outweighing US\$ 18.0 billion in increases; year-to-date, there have also now been 46 dividend decreases with 37 being Financials.

For the month, 10 issues increased, 0 initiated, 7 decreased and 4 suspended versus 15 increases, 3 initiations, 1 decrease, 0 suspensions for the month in 2007 and 19 increases, 0 initiations, 1 increase, 0 suspensions for October 2006. Year-to-date increases are down 213 versus 239 for 2007, with decreases up 45 versus 7 for 2007. Payers outperformed non-payers for all periods: the month posted -20.89% return for payers versus a -21.87% loss for non-payers; year-to-date was -34.72% for payers versus -38.82% for non-payers; the 12-month period was -38.57% for payers versus -44.86% for non-payers. While none of the returns are good, dividend payers have clearly performed better. Their long term return, based on an annual portfolio of payers versus non-payers, is +2.37% per year compounded over non-payers, or US\$ 133,652 on an initial US\$ 10,000 investment.

## ISSUE INDICATED DIVIDEND RATE CHANGE

Month of October

PERIOD	INCREASES	INITIALS	DECREASES	SUSPENSIONS
2008	10	0	7	4
2007	15	3	1	0
2006	19	0	1	0
2005	21	1	1	0

## DIVIDEND TOTAL RETURN PERFORMANCE

PERIOD	AVERAGE S&P 500 PAYERS	AVERAGE S&P 500 NON-PAYERS
Month – Average Change	-20.39%	-21.87%
12-Months	-38.57%	-44.86%
Average Yield	3.52%	

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