

Volume VI, No. 1

January 25, 2005

THE YEAR IN REVIEW/THE YEAR AHEAD SECURITIES INDUSTRY 2004 PERFORMANCE AND 2005 OUTLOOK

Frank A. Fernandez

YEAR-END 2004 STATISTICAL REVIEW

Grace Toto

RESEARCH DEPARTMENT

Frank A. Fernandez, Senior Vice
President, Chief Economist
and Director, Research

Kyle L. Brandon, Vice President
and Director, Securities
Research

Stephen L. Carlson, Vice Pres-
ident and Director, Surveys

Lenore Dittmar, Executive
Assistant

Carmen Lopez, Research
Assistant

Bella Mardakhaev, Research
Assistant

Rob Mills, Vice President and
Director, Industry Research

Amy Sloane, Manager, Surveys

Grace Toto, Vice President
and Director, Statistics



SECURITIES INDUSTRY ASSOCIATION – info@sia.com, <http://www.sia.com>

120 Broadway, 35th Floor, New York, NY 10271-0080 – 212-608-1500, fax 212-968-0703

1425 K Street, NW, Washington, DC 20005-3500 – 202-216-2000, fax 202-216-2119

Prepared by SIA Research Department – Copyright © 2005 Securities Industry Association, ISSN 1532-6667

Table of Contents

- 3 **The Year In Review/The Year Ahead: Securities Industry 2004 Performance And 2005 Outlook**, by Frank A. Fernandez. Securities industry profits (pre-tax net income) reached an estimated \$5.5 billion in the fourth quarter of 2004, exceeding expectations and boosting full-year 2004 results to an estimated \$19.5 billion. Although this result is 18.9% below the \$24.1 billion result achieved in 2003, it is up from \$16.0 billion in 2001 and \$12.1 billion in 2002. Gross revenues increased after slumping in each of the previous three years, rising 6.9% to \$227.5 billion from 2003's \$212.7 billion, while growth of net revenues (revenues net of interest expense) slowed in 2004, increasing 3.0%, compared to growth of 6.6% in 2003. Our preliminary forecast for 2005 includes a 12.8% increase in industry profits to \$22.0 billion, on expectations of stronger growth in both gross and net revenues and slower growth of non-interest expenses. The improving outlook is expected to support continued job growth in the industry.
- 14 **Year-End 2004 Statistical Review**, by Grace Toto. The U.S. stock market posted moderate gains in 2004, thanks to a powerful year-end rally that pushed the major market indices to 3½-year highs by late December. After rising 25% in 2003, the Dow Jones Industrial Average gained 3.1% in 2004; the S&P 500 Index rose 9.0% following a 26% gain in 2003, while the Nasdaq Composite increased 8.6% after surging 50% in 2003. Both share and dollar volumes on Nasdaq and the New York Stock Exchange increased from 2003 levels. Total underwriting activity ended the year just short of 2003's record level, due to a slight cutback in corporate debt offerings. Meanwhile, the equity underwriting market enjoyed its best year since 2000, with Initial Public Offering proceeds tripling to \$47.9 billion in 2004 from a 13-year low of \$15.9 billion in 2003.

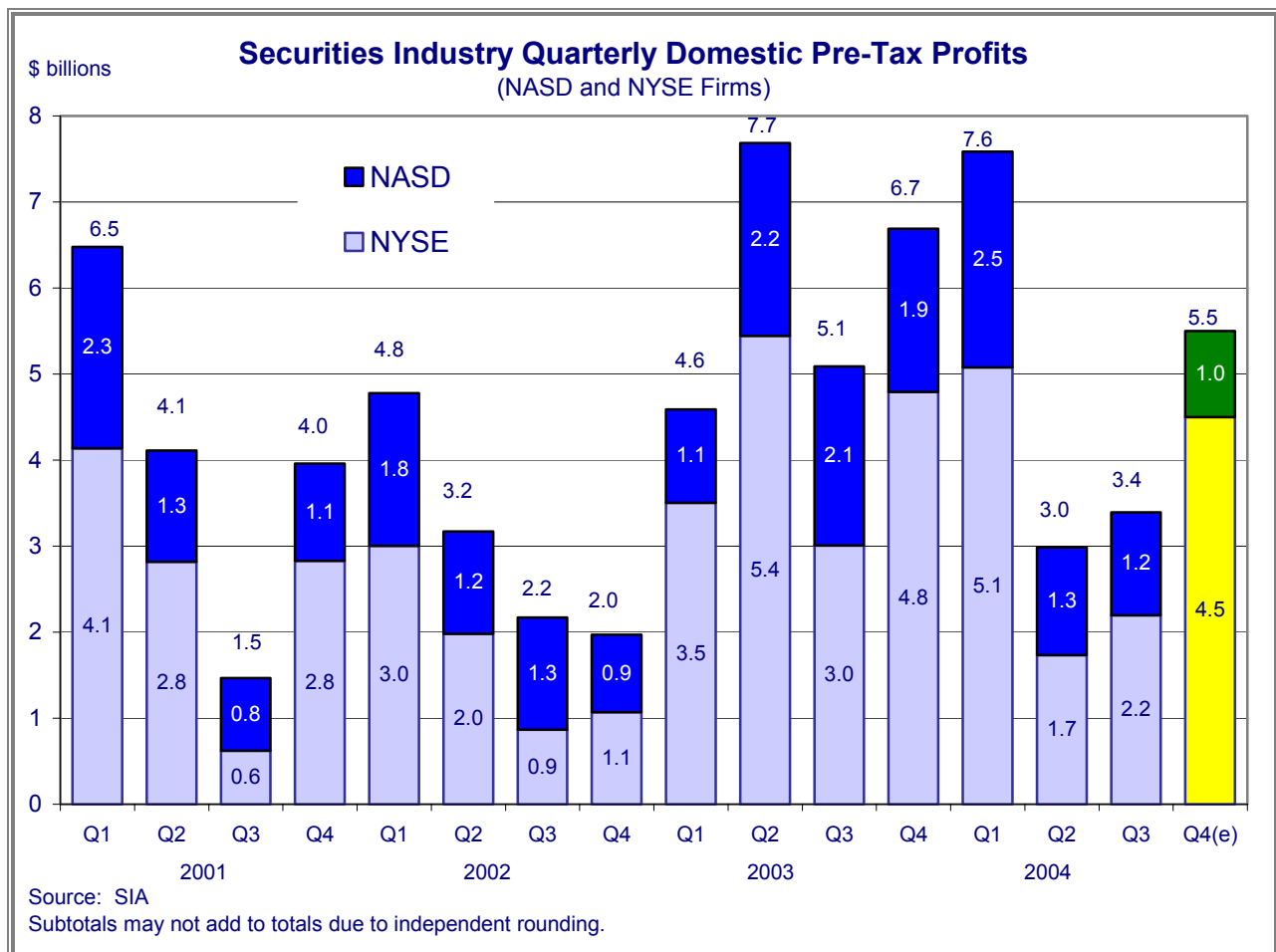
THE YEAR IN REVIEW/THE YEAR AHEAD

SECURITIES INDUSTRY 2004 PERFORMANCE AND 2005 OUTLOOK

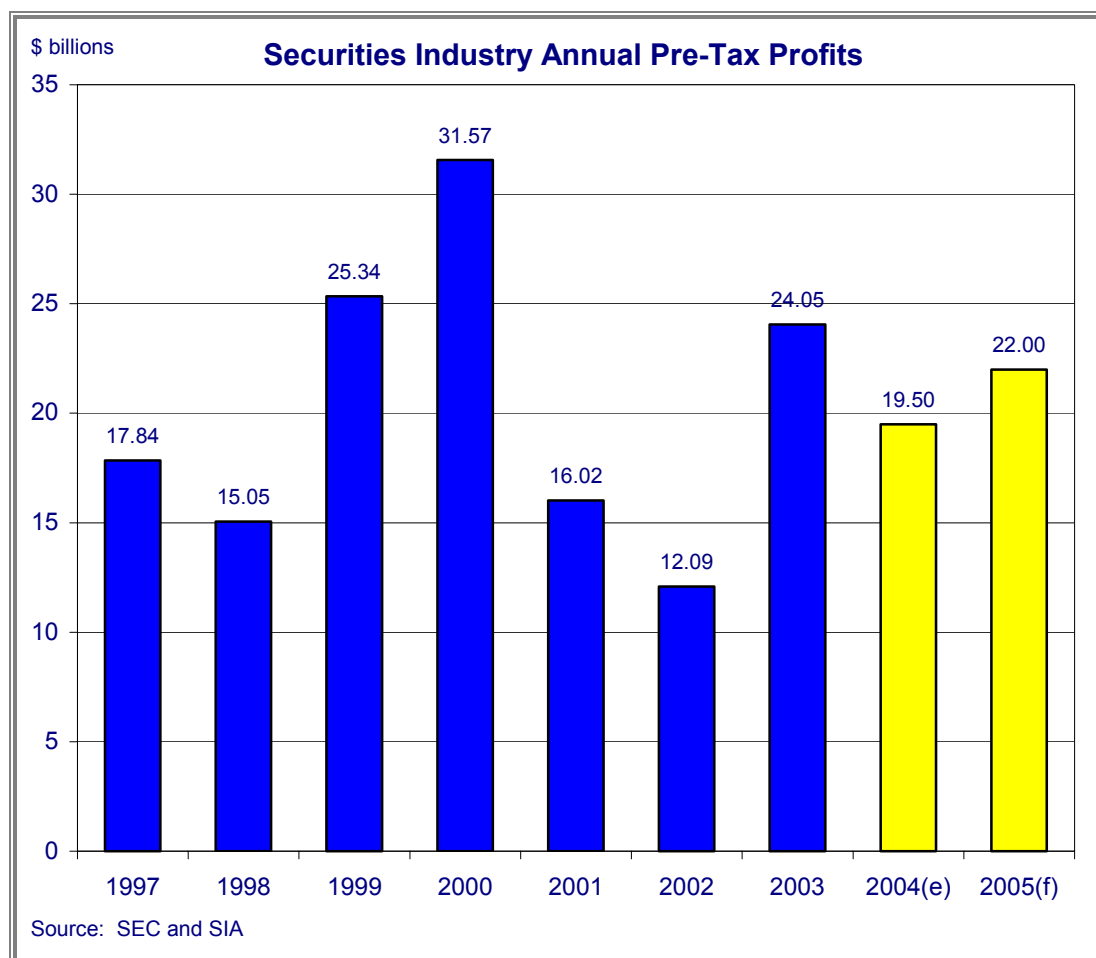
Summary

Securities industry profits (pre-tax net income) reached an estimated \$5.5 billion in the fourth quarter of 2004, exceeding expectations and boosting full-year 2004 results to an estimated \$19.5 billion. Although this result is 18.9% below the \$24.1 billion result achieved in 2003, it is up from \$16.0 billion in 2001 and \$12.1 billion in 2002. Gross revenues increased after slumping in each of the previous three years, rising 6.9% to \$227.5 billion from 2003's \$212.7 billion, while growth of net revenues (revenues net of interest expense) slowed in 2004, increasing 3.0%, compared to growth of 6.6% in 2003.

While the industry enjoyed exceptional results in 1Q'04, performance reverted to more normal levels in the two subsequent quarters as uncertainty reduced both investor interest and issuer activity in capital markets during the summer and fall. As these concerns were partially dispelled, activity picked up in 4Q'04. Performance in this demand-driven industry reflected the positive shift in both institutional and individual investor sentiment, and gross revenues and profits slightly exceeded expectations in the final quarter of the year. The robust finish to 2004 is expected to carry over into the new year and stronger revenue growth and higher profits are expected in 2005.

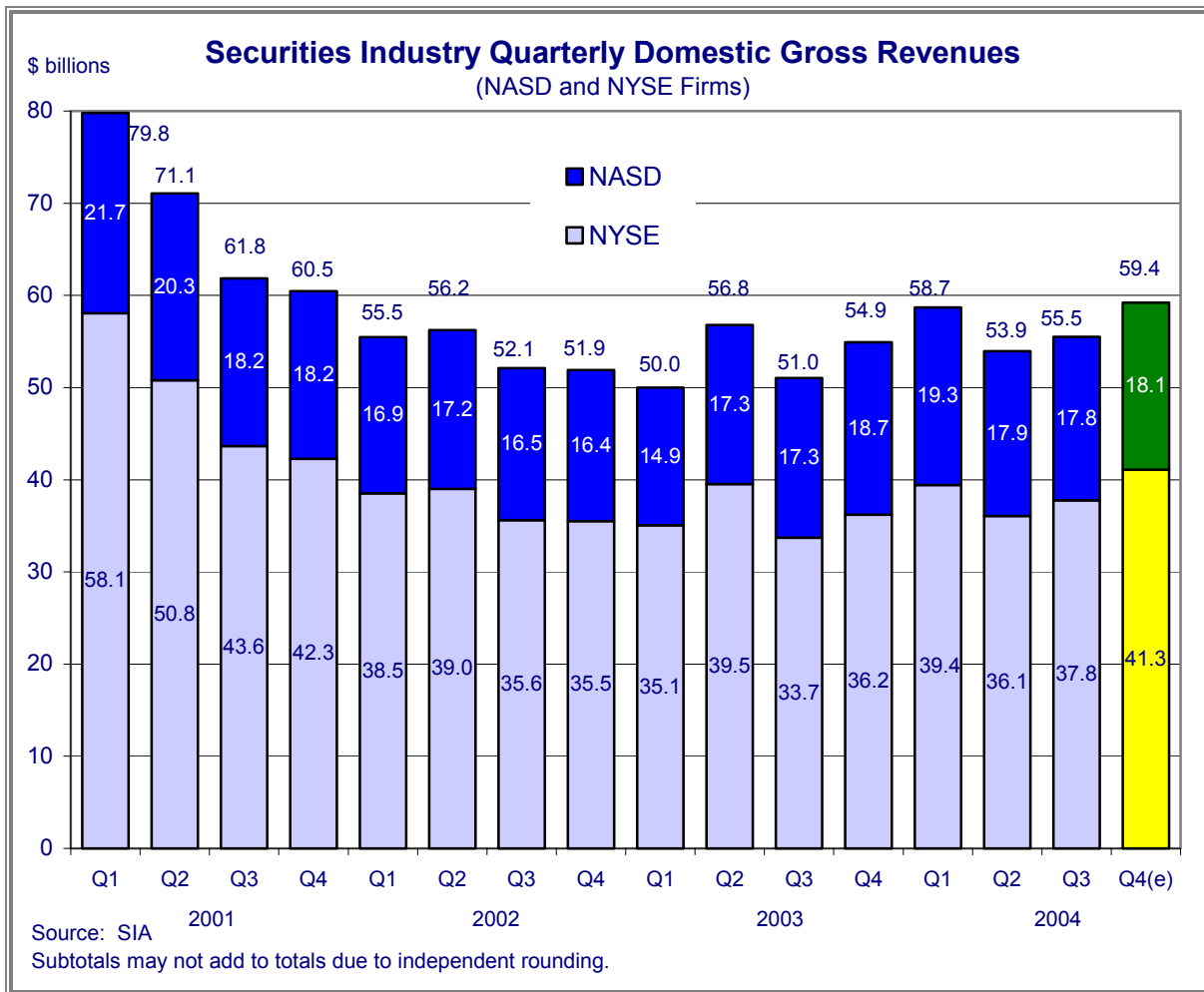


Our preliminary forecast for 2005 includes a 12.8% increase in industry profits to \$22.0 billion, on expectations of continued strong growth in revenue – a 7.0% increase in gross and net revenues – and slower growth of non-interest expenses (6.2%). The improving outlook is expected to support continued job growth in the industry, with total employment expected to rise 3.5% - 4.0% in 2005 after an increase of 3.6% in 2004.

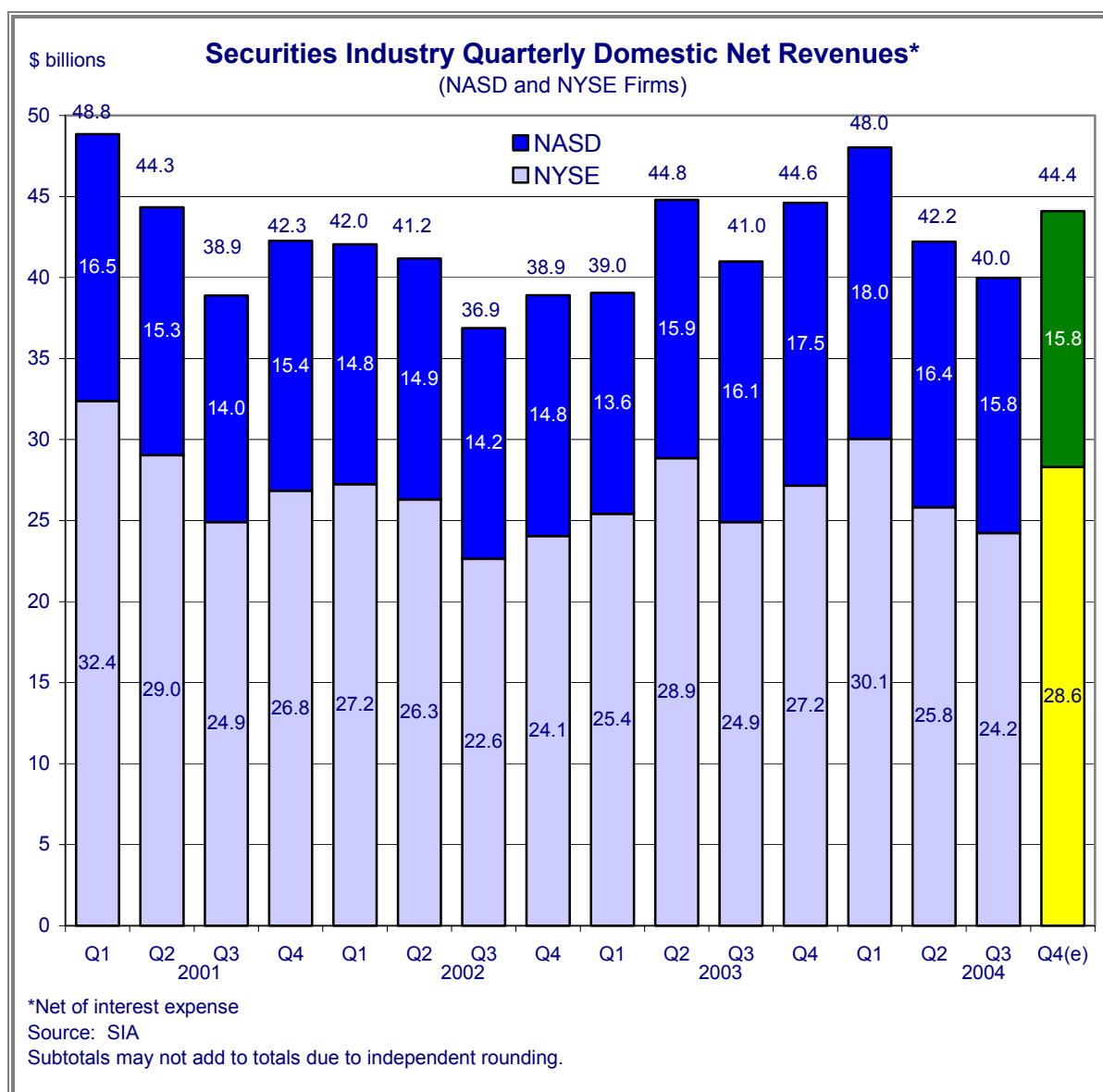


4Q 2004 Results

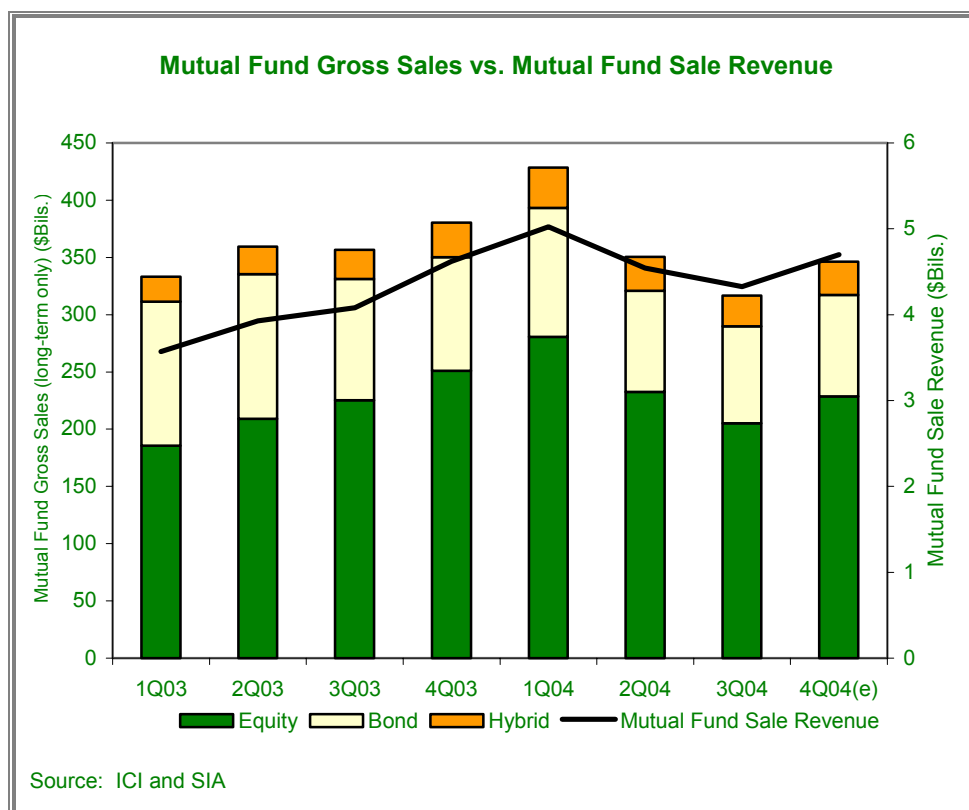
As January 2005 came to a close, U.S. securities firms began releasing results for the final quarter and the full year of 2004. While it will be some time before all results are in and aggregate figures are available, it appears securities-industry profits reached an estimated \$5.54 billion in 4Q'04, up solidly from the \$3.39 billion result in 3Q'04. While still 17.2% below profits in the final quarter of 2003, the results are encouraging in that they reflect a rebound in investor and issuer activity, which boosted revenue growth through year's end. In the year's final quarter, gross revenues for all broker-dealers doing a public business in the U.S. rose 6.9% and 8.1%, respectively, from levels seen in 3Q'04 and 4Q'03 to reach an estimated \$59.36 billion. Revenues net of interest expense were estimated to be 11% above 3Q'04 levels, but down fractionally, 0.6%, from the final quarter of 2003. Total expenses in 4Q'04 were estimated at \$53.82 billion, 3.3% higher than in 3Q'04 and 11.6% above the same, year-earlier period.



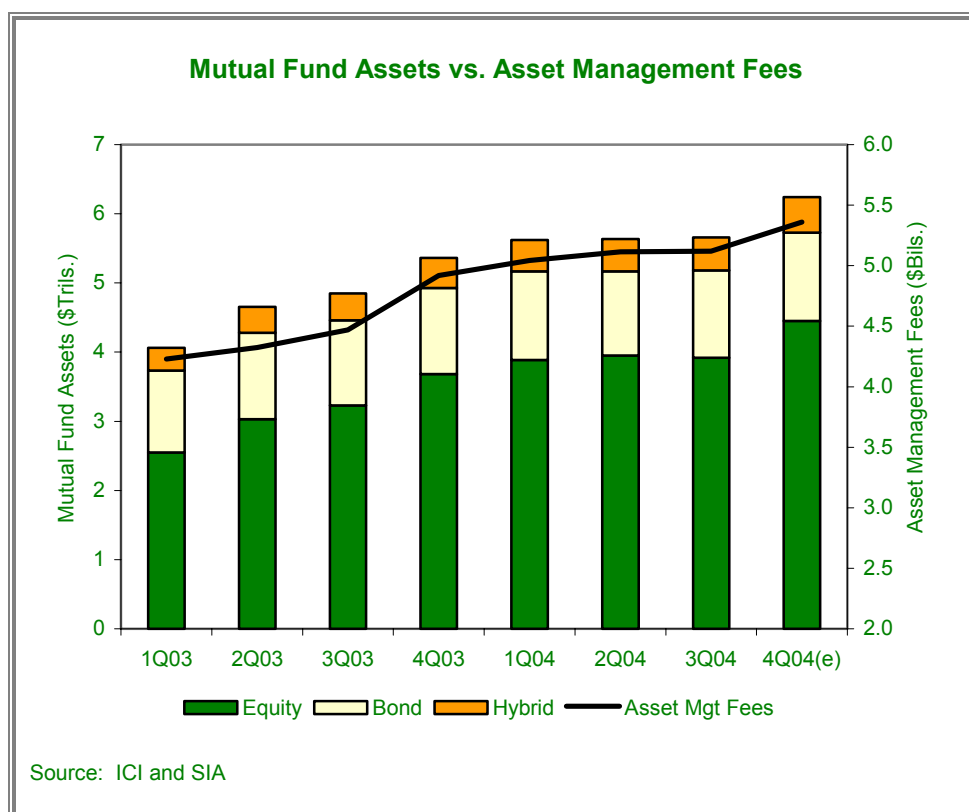
The industry enjoyed exceptional results in 1Q'04, before performance reverted to more normal levels in the two subsequent quarters. Uncertainty over the impact of rising interest rates, increasing oil prices, U.S. elections, and the Iraq War reduced both investor interest and issuer activity in capital markets during the summer and fall. As these concerns were partially dispelled, activity picked up solidly in late October and remained strong into the new year. Industry revenue growth accelerated reflecting this shift in both institutional and individual investor interest. With the exception of small declines in margin-interest revenue, bond-issuance fees, and bond-trading gains, revenues in virtually every product and service line showed better-than-expected growth.



Commissions and fees jumped an estimated 20% from 3Q'04, with revenues of \$12.45 billion led by sharply higher activity in institutional and individual equity accounts as well as in derivative accounts. Strong net new inflows into mutual funds and customer accounts during 4Q'04 quickly translated into a surge in purchases of individual securities. This, in turn, helped lift both equity market prices and securities industry revenues. Total trading volume increased 11%, led by mutual funds deploying large new inflows, and hedge funds that were still growing robustly. Individual customer account growth resumed and retail client activity grew an estimated 4% in 4Q'04. Also helping to lift revenues was an increase in the number of fee-based accounts relative to commission-based ones. The former type now represents nearly one-third of all individual accounts. In addition, the long-term compression of margins in the increasingly commoditized business of providing order execution, in particular equity orders, appears to have halted, at least temporarily, in 4Q'04.



Mutual fund sales revenues and asset management fees also benefited from the shift in investor sentiment. Mutual fund sales revenue reached \$4.7 billion, increasing an estimated 8.6% in 4Q'04 relative to the prior quarter and 1.7% above the same, year-earlier period. This reflected strong net new cash inflows into all types of funds, which reached an estimated \$82.4 billion during 4Q'04. This was the largest quarterly inflow since 4Q'02 and followed on net outflows of \$24.0 billion in 3Q'04 and \$50.2 billion in 2Q'04. Inflows into long-term mutual funds remained strong, reaching an estimated \$62.6 billion: \$42.8 billion into equity funds, \$11.4 billion into hybrids, and \$8.3 billion into bond funds. This was 79% higher than in 3Q'04 and 9% above inflows reported in the same, year-earlier period. Equally important was that these inflows generated fees on net new fund purchases rather than much lower fees generated from switching from money market mutual funds (MMMF). MMMFs saw inflows during 4Q'04 of \$19.8 billion, which was noteworthy considering MMMFs have experienced steady outflows totaling \$457.2 billion since end-2001, as short-term interest rates fell to historic lows. As these rates rose across 2004, so did the attractiveness of MMMFs.

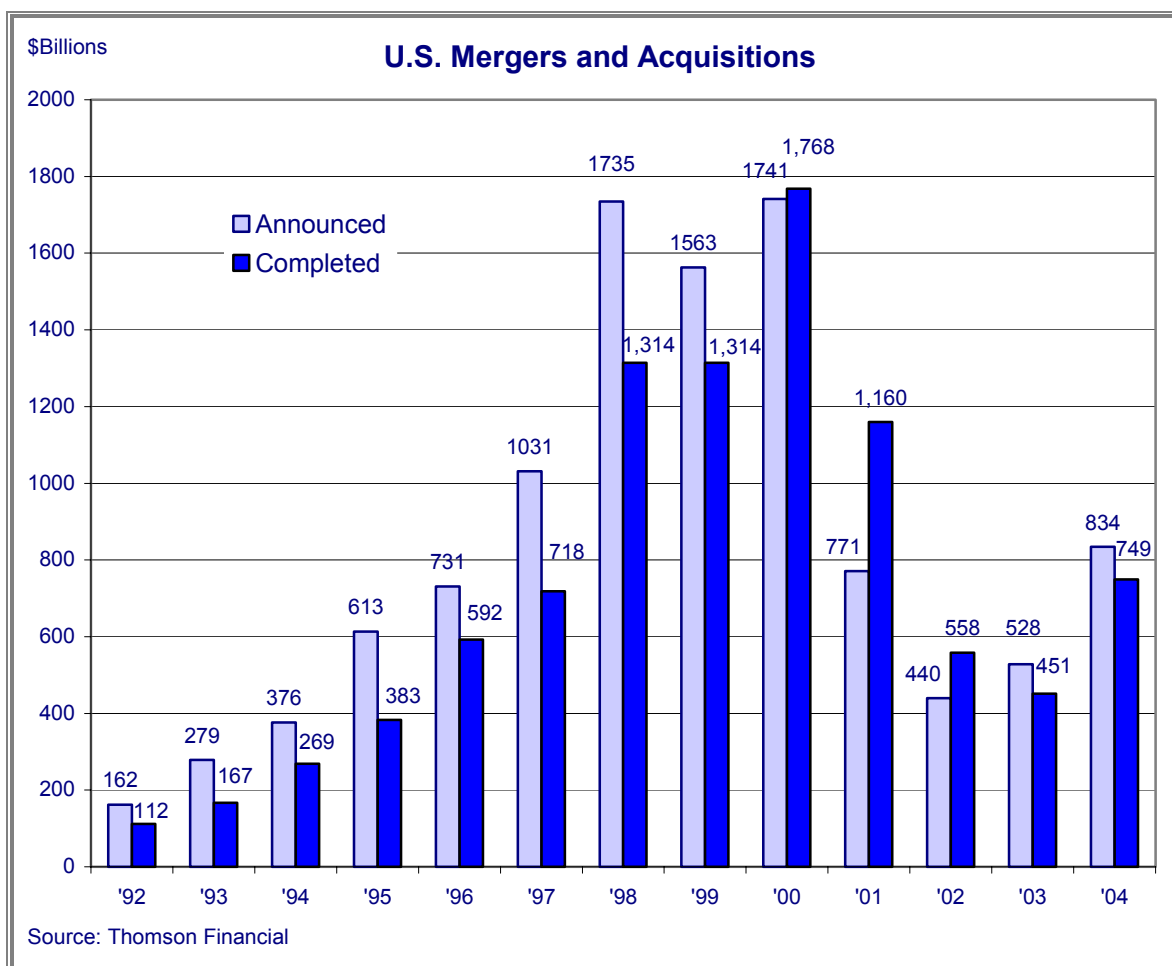


Asset management fees reached an estimated \$5.4 billion, an increase of 4.7% relative to 3Q'04 and 9.0% from 4Q'03 levels, reflecting strong net inflows and higher valuations on the assets held in funds as a "relief rally" ensued on stock markets beginning in late October. Revenues were higher despite continued declines in average fees as a generalized compression of rates was offset by the increased popularity of funds with relatively higher fees.

Trading gains from securities firms' own proprietary operations rose an estimated 46.9% from 3Q'04 levels to reach \$6.0 billion. The improvement stemmed from a reversal of trading losses in 3Q'04 of \$1.13 billion on "all other (other than debt and equity) trading", which was replaced with an estimated gain of \$1.0 billion in 4Q'04. Trading in commodities, particularly oil contracts, accounted for most of this improvement. Gains from debt trading dropped somewhat from exceptional 3Q results, but still generated the lion's share of revenues, while equity trading gains and inventory revaluation effects made positive contributions.

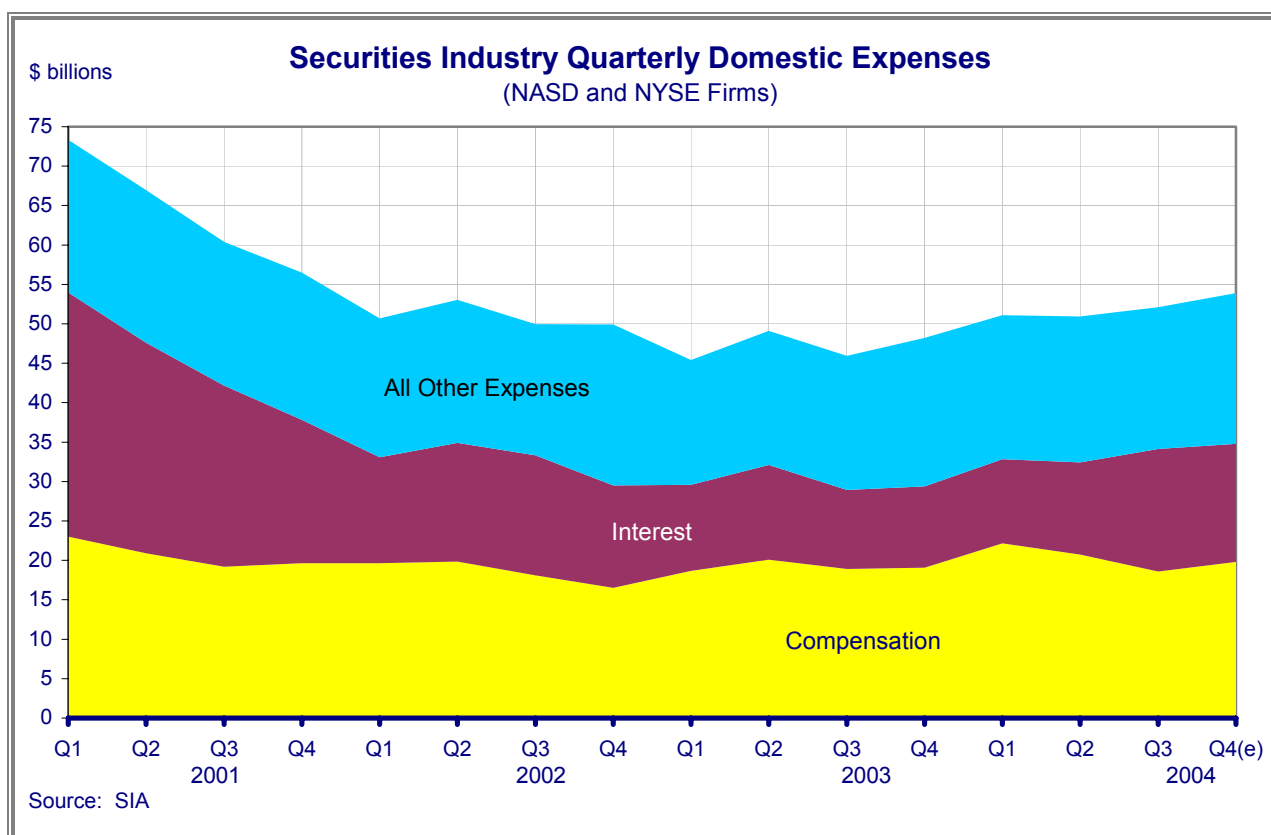
Underwriting revenue reached an estimated \$4.3 billion, up a slight 2.0% from 3Q'04 but 7.7% below 4Q'03, as a rise in equity underwriting fees offset weakness in debt underwriting revenue. Revenues from debt underwriting fell slightly as total debt issuance of \$573.2 billion was down 13.6% relative to 3Q'04, and up fractionally, only 0.4% when compared to 4Q'03, as a slump in straight corporate debt issuance offset a jump in placements of asset-backed debt. On the other hand, equity underwriting revenue rose in line with an increase in activity in the much smaller, but more lucrative equity capital markets. Total equity issuance increased 8%, relative to both 3Q'04 and 4Q'03, led by a surge in initial public offerings to their highest level in four years.¹

¹ For more detail on U.S. underwriting activity and other securities industry data, see the following "Year-End 2004 Statistical Review".



Other revenues showed solid growth led by mergers and acquisitions (M&A) and leveraged buyout (LBO) activity. The M&A market had its busiest year since 2000 as a flurry of deals in December boosted both the quarterly and annual totals. M&A revenues were above expectations in this highly cyclical sector as deal flows were accelerated to close before end-year. Other corporate advisory and product structuring fees rose to accommodate strong growth of asset-backed securities (issuance reached \$1.4 trillion in 2004), and greater use of other structured products.

Total expenses in 4Q'04 were estimated at \$53.82 billion, 3.3% higher than in 3Q'04 and 11.6% above the same, year-earlier period. Total interest expense showed a slight decline in 4Q'04 after a sharp jump in the preceding quarter as securities lending operations and financing to support investment-banking operations remained strong. Compensation expense rose 6.5% relative to 3Q'04 and 3.9% compared to 4Q'03, reflecting continued growth in securities industry employment during the quarter and a jump in execution of employee stock options at year-end. Total floor costs rose 8.8% from 3Q'04 levels, in line with the increased volume of secondary market trading. All other expense items remained well under control, as the industry continued to show strong growth in productivity. The industry continues to improve systems, hone operational techniques, and gain additional advantage through high rates of innovation and investment in communications and information technology.



Full-Year 2004 Results and the Outlook for 2005

Securities industry pre-tax net income reached an estimated \$19.50 billion for all of 2004. While this result is 18.9% below the \$24.05 billion in profits recorded in 2003, it is well above the \$12.09 billion result in 2002 and the \$16.02 billion earned in 2001. Total revenues grew 6.9% in 2004, while net revenues rose a more modest 3.0%. More importantly, profitability was maintained without further recourse to spending cuts, as was the case in the three prior years, as total expenses rose 10.2%.

Our preliminary forecast for 2005 includes a 12.8% increase in industry profits to \$22.0 billion, on expectations of stronger growth in revenue (7.0% increase in gross and net revenues) and slower growth of non-interest expenses (6.2%). The improving outlook is expected to support continued job growth in the industry, with total employment expected to rise 3.5% - 4.0% after an increase of 3.6% in 2004, and higher average compensation, led by double-digit growth in variable compensation in calendar 2005.

From an industry high in 2000, total annual expenses were slashed by \$111 billion, or nearly 37%, by 2003 in an effort to cut costs broadly in line with the sharp slump in revenue during the recent industry downturn. As revenue growth resumed in late 2003, management of securities firms, with a lag, released strict cost controls and resumed hiring. Industry employment grew an estimated 3.6% across the course of 2004 and total compensation expense rose an estimated 5.9% over 2003 levels. Interest expense rose 22.3% during 2004 as short-term interest rates rose steadily across the course of the year and industry leverage increased in the second half. All

other expenses (excluding compensation and interest expense) grew 7.4%, slightly faster than the growth of gross revenues.

Total expenses are expected to grow 6.5% in 2005. Expectations that the demand for securities industry products and services will remain strong in 2005 have encouraged management of firms to relax caps on hiring and non-compensation spending. The renewed confidence in industry prospects came in part from the industry's continuing ability to show strong growth in productivity. Interest expense is forecast to rise 7.2% in 2005, and further increase as a share of total expenses as short-term interest rates continue their steady ascent and the industry largely maintains its recently increased leverage to facilitate corporate financing activities and meet investor needs. Total compensation expense is expected to rise 9% during calendar 2005, led by double-digit growth in variable compensation and reflecting an expected increase in industry employment of 3.5 – 4.0%.

Total revenues are expected to grow 7% in 2005 as the industry's continuing ability to innovate and provide new products and services in response to customer demand helps offset the generalized ongoing decline in profit margins of more mature business lines, such as equity trading, that are becoming increasingly commoditized. Growth of mutual fund sales revenue and growth of asset-management fees, both of which reached 15% in 2004, are expected to slow significantly in 2005. The increasing popularity of hedge funds, funds of funds, index funds and international funds will only partially offset a general decline in rates charged by managers and distributors of mutual funds. An expected decline in revenue sharing and soft-dollar practices is expected to reduce commission and fee income from secondary market activities. Investment-banking revenues should continue to grow, albeit slightly less robustly, as trends observed as 2004 came to a close carry into the new year. The volume of debt underwriting will likely continue to decline, while equity underwriting, M&A advisory, and other corporate advisory business will continue to expand.

Frank A. Fernandez

Senior Vice President, Chief Economist and Director, Research

TOTAL NYSE + NASD Firms
INCOME STATEMENT (Annual)
\$ Millions

	2001	2002	2003	2004 (e)	% chg 2004 v. 2003 (e)
REVENUE:					
Commissions	44,023.3	44,470.8	45,060.7	47,454.8	5.3%
- Commissions - Listed Equity on an Exchange	21,003.2	21,083.6	19,157.4	19,230.7	0.4%
- Commissions - Listed Equity OTC	1,824.7	2,384.4	2,640.5	3,017.5	14.3%
- Commissions - Listed Options	2,175.4	1,696.7	1,766.1	1,857.0	5.1%
- Commissions - All Other	19,020.1	19,306.0	21,496.7	23,349.4	8.6%
Trading Gain (Loss)	32,288.3	19,163.3	30,740.1	22,407.8	-27.1%
- Gain from OTC Market Making	3,968.2	1,390.5	1,053.7	862.2	-18.2%
- - Gain from OTC Market Making in Listed Equity	24.0	28.0	-1.6	13.0	NM
- Gain from Debt Trading	19,368.6	15,879.3	19,740.6	17,995.9	-8.8%
- Gain from Listed Options Market Making	15.6	-214.9	-116.0	190.1	NM
- Gain from All Other Trading	8,935.9	2,108.5	10,061.7	3,359.6	-66.6%
Investment Account Gain (Loss)	1,584.9	1,105.6	3,020.3	1,759.6	-41.7%
- Realized Gain	618.6	581.6	618.1	1,459.8	136.2%
- Unrealized Gain	-121.4	-232.8	1,628.4	-52.0	-103.2%
Underwriting Revenue	17,015.9	14,712.2	17,204.4	18,125.5	5.4%
- Equity Underwriting Revenue	3,933.5	3,240.2	3,715.3	4,235.8	14.0%
Margin Interest	13,787.6	6,477.9	5,231.0	6,041.0	15.5%
Mutual Fund Sale Revenue	16,646.8	15,830.1	16,197.4	18,595.6	14.8%
Fees, Asset Management	19,024.7	18,187.1	17,937.6	20,635.9	15.0%
Research Revenue	196.7	158.3	172.0	217.6	26.5%
Commodities Revenue	5,341.5	6,147.1	-1,858.4	2,461.2	NM
Other Revenue Related to the Securities Business	92,286.2	64,147.7	54,294.7	61,789.0	13.8%
Other Revenue	30,973.5	25,325.7	24,726.3	27,989.8	13.2%
TOTAL REVENUE	273,169.2	215,725.7	212,726.1	227,477.6	6.9%
Net Revenue	174,335.6	158,993.2	169,452.9	174,564.6	3.0%
EXPENSES:					
Total Compensation	82,723.0	74,123.1	76,728.6	81,283.2	5.9%
- Registered Representative Compensation	30,559.2	27,756.8	28,721.1	30,434.8	6.0%
- Clerical Employee Compensation	35,961.4	31,549.6	32,168.8	34,586.0	7.5%
- Voting Officer Compensation	4,948.9	3,810.8	4,111.9	3,507.4	-14.7%
- Other Employee Compensation (FOCUS IIA Only)	11,253.5	11,005.9	11,726.8	12,754.8	8.8%
Total Floor Costs	13,322.6	14,304.8	15,611.4	16,793.5	7.6%
- Floor Brokerage Paid to Brokers	1,489.0	1,507.1	1,328.6	1,512.6	13.9%
- Commissions & Clearance Paid to Other Brokers	3,102.6	3,230.5	3,756.7	3,738.4	-0.5%
- Clearance Paid to Non-Brokers	1,187.1	1,234.4	1,162.6	1,200.9	3.3%
- Commissions Paid to Broker-Dealers (FOCUS IIA Only)	7,543.9	8,332.8	9,363.4	10,341.4	10.4%
Communications Expense	5,921.5	4,999.8	4,375.6	4,588.6	4.9%
Occupancy & Equipment Costs	8,424.0	7,260.0	6,793.0	6,490.6	-4.5%
Promotional Costs	2,957.4	2,487.9	2,034.7	2,281.8	12.1%
Interest Expense	98,833.6	56,732.5	43,273.2	52,913.1	22.3%
Losses from Error Accounts & Bad Debts	699.0	511.8	355.6	331.7	-6.7%
Data Processing Costs	3,679.1	3,275.2	3,035.3	3,178.2	4.7%
Regulatory Fees & Expenses	1,336.8	1,206.0	1,296.8	1,398.8	7.9%
Non-Recurring Charges	267.6	727.5	273.9	691.4	152.4%
Other Expenses	38,988.3	38,004.8	34,893.8	38,023.0	9.0%
TOTAL EXPENSES	257,152.7	203,633.5	188,671.9	207,973.9	10.2%
PRE-TAX NET INCOME	16,016.6	12,092.3	24,054.2	19,503.8	-18.9%

TOTAL NYSE + NASD Firms
INCOME STATEMENT (Quarterly)
\$ Millions

	2001				2002				2003				2004				% chg 04:Q4 vs.	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4(e)	04:Q3	03:Q4
REVENUE:																		
Commissions	12,123.0	11,004.5	9,895.4	11,000.5	11,148.7	11,329.3	10,817.8	11,175.1	9,728.1	11,473.6	11,629.8	12,229.2	13,154.6	11,479.2	10,371.0	12,450.0	20.0%	1.8%
- Commissions - Listed Equity on an Exchange	5,696.7	5,119.7	4,919.1	5,267.6	5,353.4	5,290.8	5,272.6	5,166.9	4,375.7	5,042.0	4,819.2	4,920.5	5,372.3	4,553.1	4,105.3	5,200.0	26.7%	5.7%
- Commissions - Listed Equity OTC	498.0	434.9	411.9	479.9	605.5	629.8	589.2	559.9	490.4	665.5	710.1	774.4	871.0	728.7	617.7	800.0	29.5%	3.3%
- Commissions - Listed Options	640.1	562.9	495.7	476.7	451.1	430.4	407.9	407.2	374.9	461.3	459.2	470.8	611.9	424.6	370.5	450.0	21.5%	-4.4%
- Commissions - All Other	5,288.2	4,886.9	4,068.6	4,776.4	4,738.7	4,978.3	4,548.0	5,041.0	4,487.0	5,304.9	5,841.2	6,063.5	6,299.2	5,772.8	5,277.4	6,000.0	13.7%	-1.0%
Trading Gain (Loss)	10,159.8	10,057.8	4,470.5	7,600.3	7,422.1	3,468.7	2,379.6	5,892.9	7,367.9	10,646.3	5,871.1	6,854.8	7,667.0	4,655.5	4,085.3	6,000.0	46.9%	-12.5%
- Gain from OTC Market Making	1,440.4	1,015.1	670.1	842.7	566.1	327.6	238.9	257.8	236.6	477.9	226.3	113.0	468.3	165.9	127.9	100.0	-21.8%	-11.5%
- - Gain from OTC Market Making in Listed Equity	16.9	6.4	-3.5	4.1	33.0	-6.1	1.1	0.0	-2.5	-4.5	1.5	3.9	8.0	4.0	1.0	0.0	-100.0%	-100.0%
- Gain from Debt Trading	5,814.1	5,549.8	4,230.2	3,774.6	4,523.8	4,319.5	3,177.6	3,858.4	5,843.9	6,506.9	3,186.1	4,203.7	4,960.0	3,156.5	5,079.4	4,800.0	-5.5%	14.2%
- Gain from Listed Options Market Making	-52.4	-140.4	269.7	-61.3	-19.6	100.8	-70.2	-225.9	-188.4	71.4	-123.0	124.0	-29.7	114.3	5.5	100.0	1729.5%	-19.4%
- Gain from All Other Trading	2,957.7	3,633.4	-699.5	3,044.3	2,351.8	-1,279.1	-966.7	2,002.5	1,475.8	3,590.2	2,581.7	2,414.0	2,268.4	1,218.8	-1,127.6	1,000.0	-188.7%	-58.6%
Investment Account Gain (Loss)	73.3	1,100.5	-383.3	794.4	444.8	-117.1	-52.0	829.9	244.4	1,479.7	579.9	716.4	751.4	221.2	387.0	400.0	3.4%	-44.2%
- Realized Gain	172.6	206.3	139.0	100.8	119.1	123.3	159.1	180.1	163.1	230.4	89.3	135.3	984.9	-566.0	540.9	500.0	-7.6%	269.5%
- Unrealized Gain	-349.3	166.1	-550.9	612.8	140.9	-438.5	-256.5	321.3	-6.7	901.8	319.3	413.9	-530.1	726.4	-148.2	-100.0	NM	NM
Underwriting Revenue	4,380.4	4,645.4	3,335.7	4,674.5	4,050.0	4,348.7	2,895.2	3,418.4	3,591.9	4,906.1	4,045.5	4,660.9	5,159.7	4,452.1	4,213.6	4,300.0	2.0%	-7.7%
- Equity Underwriting Revenue	831.1	1,226.2	659.0	1,217.2	1,005.2	894.0	623.2	717.7	660.6	1,090.3	963.9	1,000.5	1,087.3	1,017.3	931.1	1,200.0	28.9%	19.9%
Margin Interest	4,850.5	3,840.1	3,004.2	2,092.8	1,793.9	1,734.6	1,540.6	1,408.8	1,290.2	1,329.1	1,285.0	1,326.7	1,337.3	1,480.9	1,722.8	1,600.0	-12.9%	13.1%
Mutual Fund Sale Revenue	4,292.4	4,283.2	4,026.9	4,044.3	4,198.0	4,247.2	3,699.6	3,685.2	3,568.6	3,927.0	4,080.6	4,621.2	5,024.9	4,543.1	4,327.6	4,700.0	8.6%	1.7%
Fees, Asset Management	4,934.6	4,800.1	4,616.2	4,673.9	4,720.8	4,704.9	4,507.2	4,254.1	4,227.9	4,322.8	4,469.3	4,917.6	5,042.1	5,115.1	5,118.7	5,360.0	4.7%	9.0%
Research Revenue	43.3	40.4	34.4	78.5	35.9	64.1	26.5	31.8	33.1	40.2	41.7	57.0	59.4	53.5	54.7	50.0	-8.5%	-12.3%
Commodities Revenue	3,702.6	-556.4	3,185.4	-990.2	421.0	3,146.8	3,156.1	-576.8	942.0	-2,095.2	245.5	-950.8	382.8	708.6	669.8	700.0	4.5%	-173.6%
Other Revenue Related to the Securities Business	26,974.1	23,803.1	21,982.3	19,526.7	15,065.0	17,035.1	16,868.2	15,179.4	12,940.4	14,673.8	12,843.1	13,837.4	13,695.7	14,280.5	17,312.8	16,500.0	-4.7%	19.2%
Other Revenue	8,290.6	8,036.1	7,681.7	6,965.1	6,182.4	6,260.6	6,272.1	6,610.7	6,050.9	6,077.6	5,945.8	6,652.0	6,402.8	6,938.4	7,248.6	7,400.0	2.1%	11.2%
TOTAL REVENUE	79,804.6	71,054.6	61,849.2	60,460.8	55,482.5	56,223.0	52,110.9	51,909.3	49,985.3	56,781.1	51,037.2	54,922.5	58,677.7	53,928.2	55,511.8	59,360.0	6.9323%	8.08%
Net Revenue	48,848.2	44,334.5	38,882.1	42,270.7	42,044.4	41,167.7	36,878.5	38,902.6	39,049.4	44,795.8	40,992.3	44,615.4	48,017.2	42,208.4	39,978.9	44,360.0	11.0%	-0.6%
EXPENSES:																		
Total Compensation	23,025.4	20,882.3	19,182.3	19,633.1	19,658.2	19,848.7	18,105.1	16,511.1	18,667.8	20,101.2	18,895.2	19,064.5	22,158.4	20,727.1	18,597.7	19,800.0	6.5%	3.9%
- Registered Representative Compensation	8,052.0	7,644.9	7,131.2	7,731.0	7,259.8	7,353.7	6,788.2	6,355.1	6,695.0	7,406.9	7,317.4	7,301.8	7,906.7	7,614.1	6,914.0	8,000.0	15.7%	9.6%
- Clerical Employee Compensation	10,808.7	8,968.2	8,161.4	8,023.1	8,501.1	8,666.6	7,667.7	6,714.1	8,463.6	8,841.3	7,622.5	7,241.4	10,035.8	9,101.6	7,948.7	7,500.0	-5.6%	3.6%
- Voting Officer Compensation	1,227.1	1,502.1	1,265.6	954.1	1,170.8	1,002.5	986.0	651.6	922.5	962.6	935.7	1,291.2	902.2	840.7	764.5	1,000.0	30.8%	-22.6%
- Other Employee Compensation (FOCUS IIA Only)	2,937.5	2,767.1	2,623.9	2,924.9	2,726.6	2,825.9	2,663.2	2,790.2	2,586.7	2,890.5	3,019.7	3,230.0	3,313.5	3,170.7	2,970.5	3,300.0	11.1%	2.2%
Total Floor Costs	3,338.5	3,376.4	3,169.5	3,438.2	3,340.9	3,675.3	3,483.0	3,805.6	3,421.6	3,867.6	3,960.4	4,361.9	4,319.2	4,223.1	3,951.1	4,300.0	8.8%	-1.4%
- Floor Brokerage Paid to Brokers	371.1	369.6	342.9	405.4	363.8	367.6	390.7	385.0	318.7	335.2	333.0	341.8	373.2	386.2	383.2	370.0	-3.4%	8.3%
- Commissions & Clearance Paid to Other Brokers	805.2	779.1	730.9	787.3	746.1	850.7	808.8	824.9	837.5	960.3	978.0	980.9	995.5	915.8	827.1	1,000.0	20.9%	1.9%
- Clearance Paid to Non-Brokers	289.3	290.9	297.7	309.1	300.8	307.1	320.5	305.9	266.5	298.6	294.3	303.3	287.7	299.9	313.3	300.0	-4.2%	-1.1%
- Commissions Paid to Broker-Dealers (FOCUS IIA Only)	1,872.9	1,936.7	1,798.0	1,936.3	1,930.2	2,149.9	1,963.0	2,289.8	1,998.9	2,273.5	2,355.1	2,735.9	2,662.7	2,621.2	2,427.5	2,630.0	8.3%	-3.9%
Communications Expense	1,520.7	1,506.2	1,393.4	1,501.1	1,298.3	1,272.7	1,203.9	1,224.8	1,119.2	1,094.9	1,068.1	1,093.4	1,065.1	1,145.7	1,177.9	1,200.0	1.9%	9.7%
Occupancy & Equipment Costs	1,973.9	2,044.3	2,303.8	2,101.9	1,837.3	1,783.8	1,769.7	1,869.2	1,694.7	1,664.2	1,685.9	1,748.2	1,552.4	1,567.0	1,621.2	1,750.0	7.9%	0.1%
Promotional Costs	941.0	789.1	627.1	600.1	653.9	671.3	573.7	589.0	532.6	502.3	442.0	557.8	572.0	569.8	540.0	600.0	11.1%	7.6%
Interest Expense	30,956.4	26,720.1	22,967.1	18,190.1	13,438.1	15,055.3	15,232.4	13,006.7	10,935.9	11,985.3	10,044.9	10,307.1	10,660.5	11,719.7	15,532.8	15,000.0	-3.4%	45.5%
Losses from Error Accounts & Bad Debts	186.1	132.6	141.7	238.6	117.2	115.1	130.2	149.3	11.0	117.2	106.6	120.8	87.6	84.3	59.8	100.0	67.3%	-17.2%
Data Processing Costs	945.4	910.1	866.6	956.9	809.9	882.8	773.5	809.1	662.5	784.8	738.8	849.2	817.6	789.4	771.1	800.0	3.7%	-5.8%
Regulatory Fees & Expenses	327.7	321.4	319.4	368.2	284.1	322.2	289.2	310.5	280.9	331.1	339.2	345.5	330.7	337.5	340.6	350.0	2.8%	1.3%
Non-Recurring Charges	25.2	39.2	125.9	77.3	37.4	635.2	-68.7	123.6	77.5	23.2	69.4	103.7	107.3	176.7	187.4	220.0	17.4%	112.2%
Other Expenses	10,085.6	10,222.4	9,284.0	9,396.3	9,228.3	8,788.4	8,448.5	11,539.6	7,991.8	8,622.6	8,597.4	9,682.0	9,422.0	9,563.2	9,337.8	9,700.0	3.9%	0.2%
TOTAL EXPENSES	73,325.9	66,944.0	60,380.9	56,501.9	50,703.6	53,050.8	49,940.6	49,938.5	45,395.5	49,094.4	45,948.0	48,234.0	51,092.80	50,943.55	52,117.51	53,820.00	3.3%	11.6%
PRE-TAX NET INCOME	6,478.7	4,110.6	1,468.3	3,958.9	4,778.9	3,172.2	2,170.3	1,970.8	4,589.8	7,686.7	5,089.2	6,688.5	7,584.9	2,984.6	3,394.3	5,540.00	63.2%	-17.2%

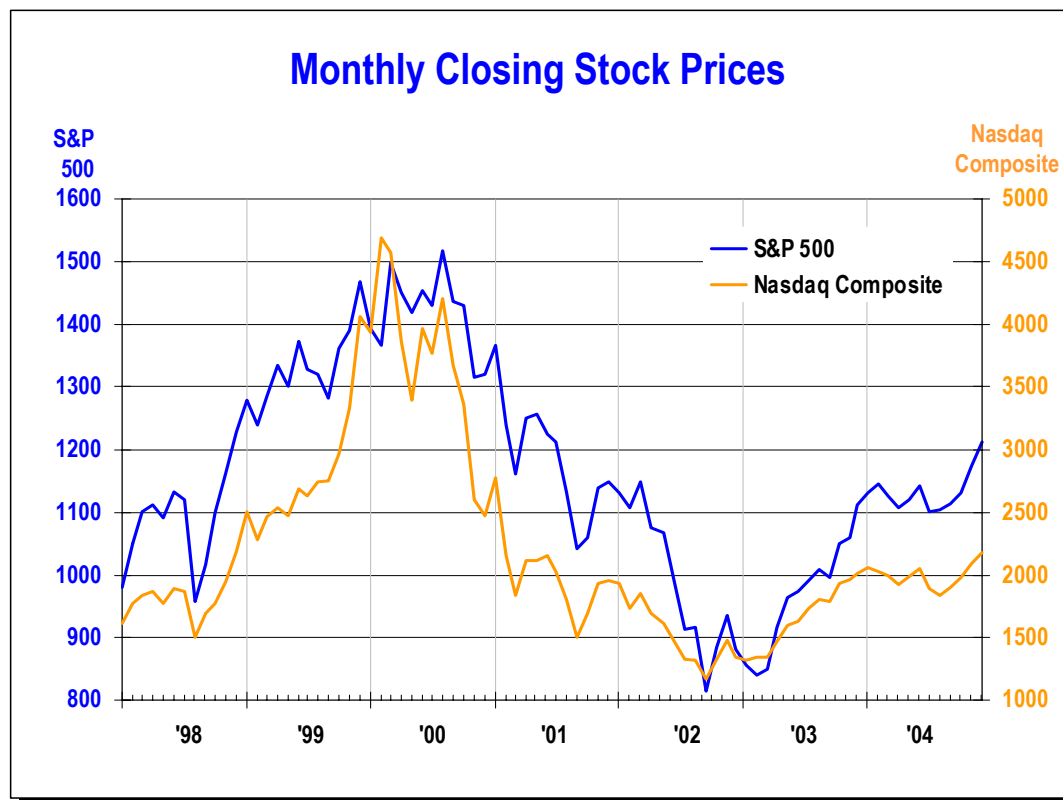
Source: SIA DataBank

YEAR-END 2004 STATISTICAL REVIEW

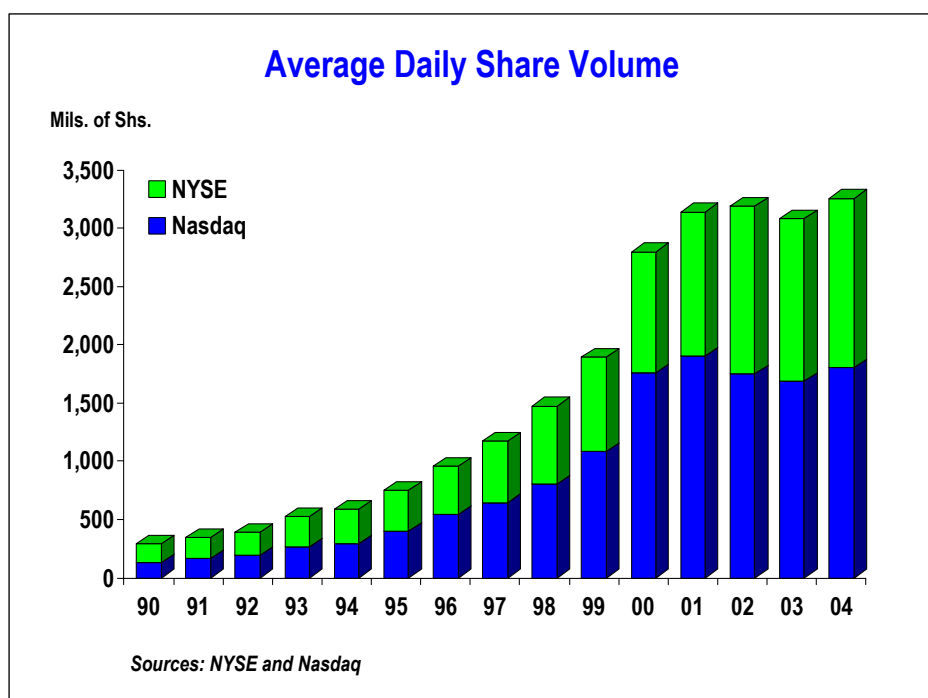
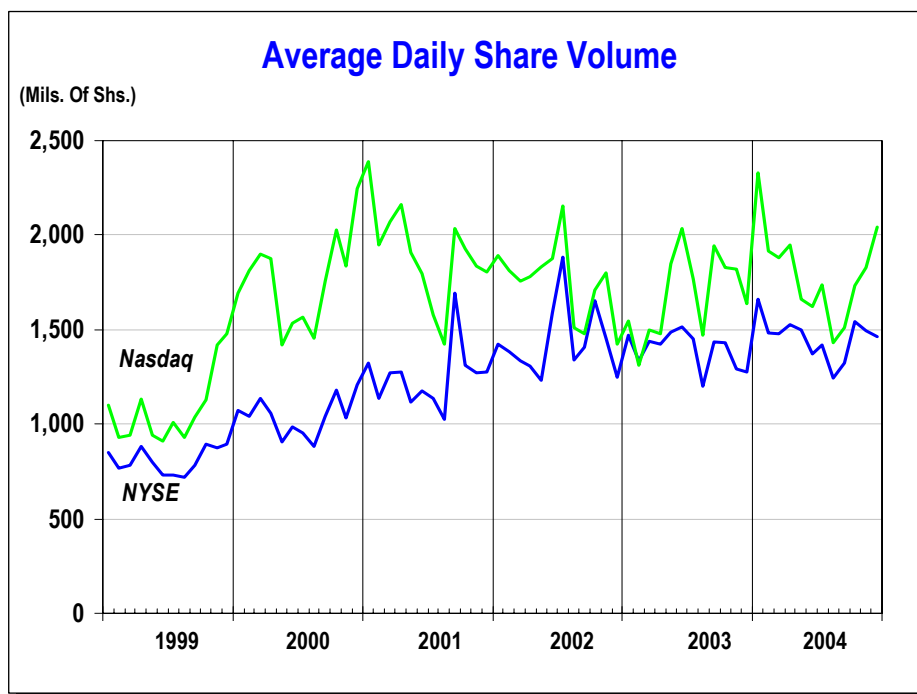
U.S. Equity Market Activity

Stock Prices – The U.S. stock market posted moderate gains in 2004, thanks to a powerful rally in the fourth quarter that pushed the major market indices to new 3-½ year highs by late December. Stock prices languished through mid-year, and then posted losses in the third quarter amid concerns about surging oil prices, higher interest rates, the U.S. elections and terrorism. Then, during the final two months of the year, prices shot up as many of those concerns were dispelled following President George W. Bush's reelection and a 22% decline in crude oil prices from a peak of \$55 a barrel in late October to \$43 a barrel by year-end. That rally resulted in fourth quarter gains in the Dow Jones Industrial Average, the S&P 500 Index and the Nasdaq Composite of 7.0%, 8.7%, and 14.7%, respectively.

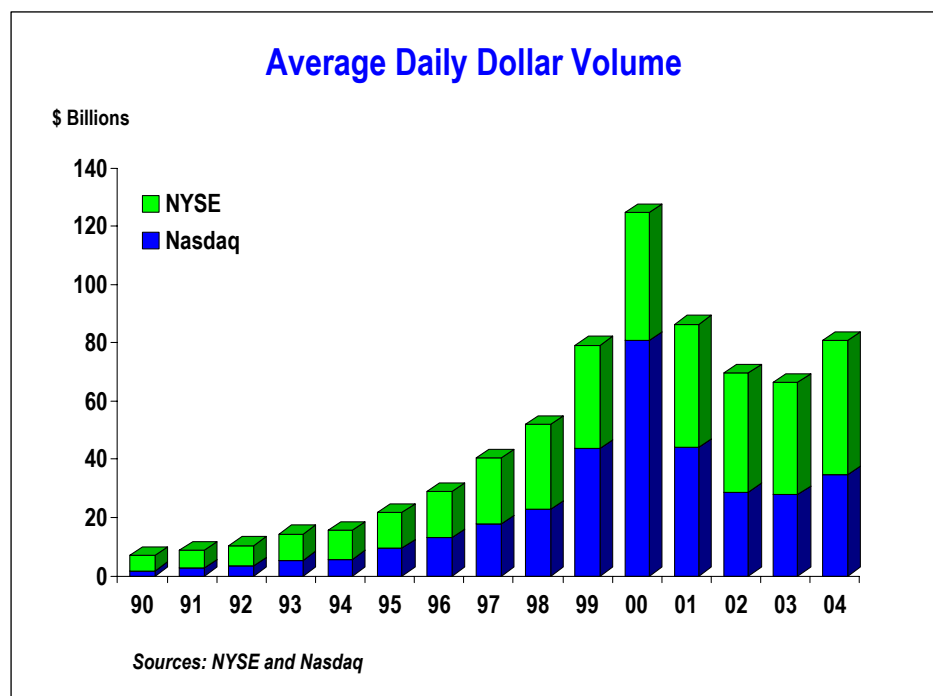
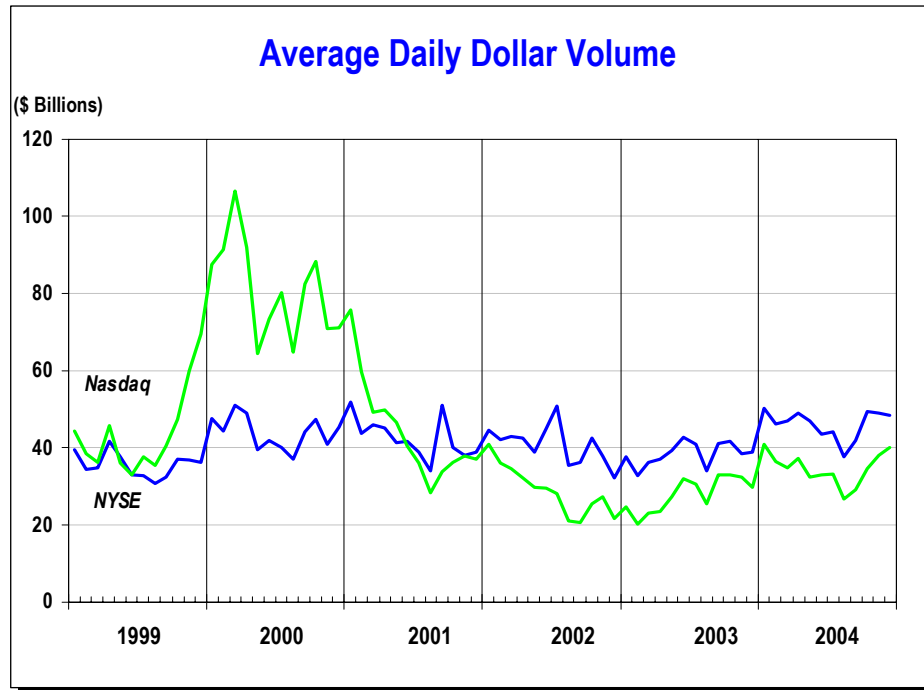
For the year as a whole, the DJIA rose 3.1% to 10,783.01 after rising 25% in 2003; the S&P 500 gained 9.0% to 1,211.92, following a 26% gain in 2003; and the Nasdaq Composite increased 8.6% to 2,175.44 after surging 50% in 2003 on the heels of a three-year bear market. Most Wall Street strategists expect to see similar returns in 2005, despite a forecast deceleration in corporate profit growth to around 10% from roughly 20% in 2004 and rising interest rates, which would limit the market's upside potential.



Share Volume – Average daily share volume on the major U.S. markets also grew moderately in 2004. New York Stock Exchange daily volume increased 4.2% from 1.40 billion in 2003 to a record 1.46 billion, despite slowing somewhat in the final two months of the year from relatively strong October levels. Nasdaq daily volume averaged 1.80 billion in 2004, 6.9% above 2003's 1.69 billion and second only to 2001's record 1.90 billion. Volume on this market strengthened throughout the fourth quarter to reach 2.04 billion shares daily in December, its busiest month since January.

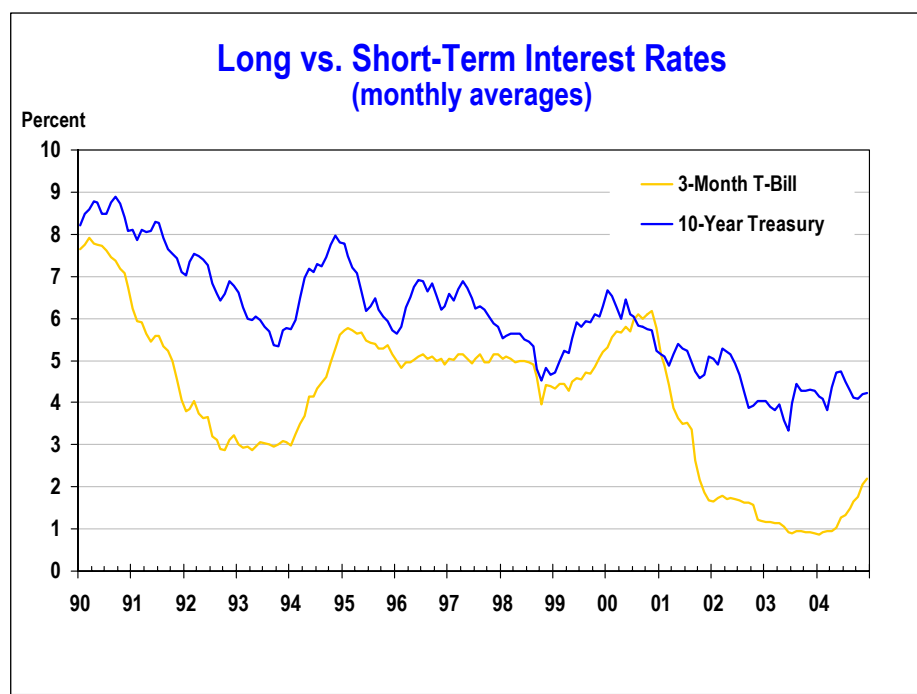


Dollar Volume – A combination of increased trading activity and rising share prices lifted the average daily value of trading on the major U.S. markets last year. Nasdaq dollar volume jumped 23.7% from \$28.0 billion to \$34.6 billion in 2004, yet remained well below its 2000 peak of \$80.9 billion. NYSE stocks had an equally impressive gain, with the average daily value of trading rising 19.9% from 2003's \$38.5 billion to a record \$46.1 billion.



Interest Rates – The U.S. Treasury market held up surprisingly well in 2004, even with a shift in the Federal Reserve’s stance to one of tightening for the first time in four years. Despite the Fed’s five quarter-point rate increases that took the key federal funds rate from a 46-year low of 1.0% in June to 2.25% in December, the 10-year Treasury yield ended the year just slightly above year-end 2003 levels. Yields dropped from 4.27% at the start of the year to a low of 3.70% in March, climbed to 4.89% in June, and then fell back to 3.99% in October before moving higher in the last two months of the year to end at 4.33%. Heavy demand by foreign central banks and the Fed’s slow, measured pace of monetary tightening helped keep long-term Treasury yields low. Meanwhile, the yield on 3-month T-bills rose steadily throughout the year to 2.19% by year-end from 0.93% at the start of the year. As a result, the spread between three-month and 10-year Treasuries narrowed by 120 basis points to 2.14% from 3.34% at year-end 2003.

Interest rates are expected to rise further this year. According to consensus forecasts from Blue Chip Economic Indicators, the 10-year Treasury yield is predicted to average 5.0% by the end of 2005, and the Fed’s short-term interest rate benchmark is expected to rise to 3.5%.

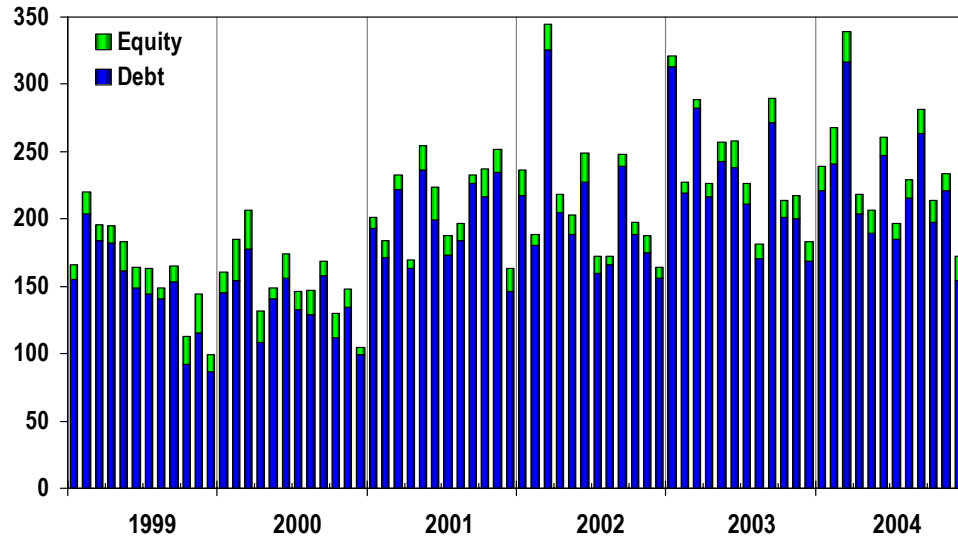


U.S. Underwriting Activity

The securities industry raised \$2.86 trillion of capital for American businesses in 2004 through corporate underwriting activity in the U.S. market, just short of the record \$2.89 trillion raised in 2003. Although the primary equity market enjoyed its best year since 2000, a slight cutback in activity in the much larger corporate debt market during 4Q’04 led to the annual decrease in overall underwriting activity. New issuance of stocks and bonds fell 12.3% from 3Q’04 levels to \$620.1 billion in 4Q’04. This marked its slowest quarterly pace of the year, and represented a 26.7% decline from the quarterly record of \$846.5 billion reached in 1Q’04.

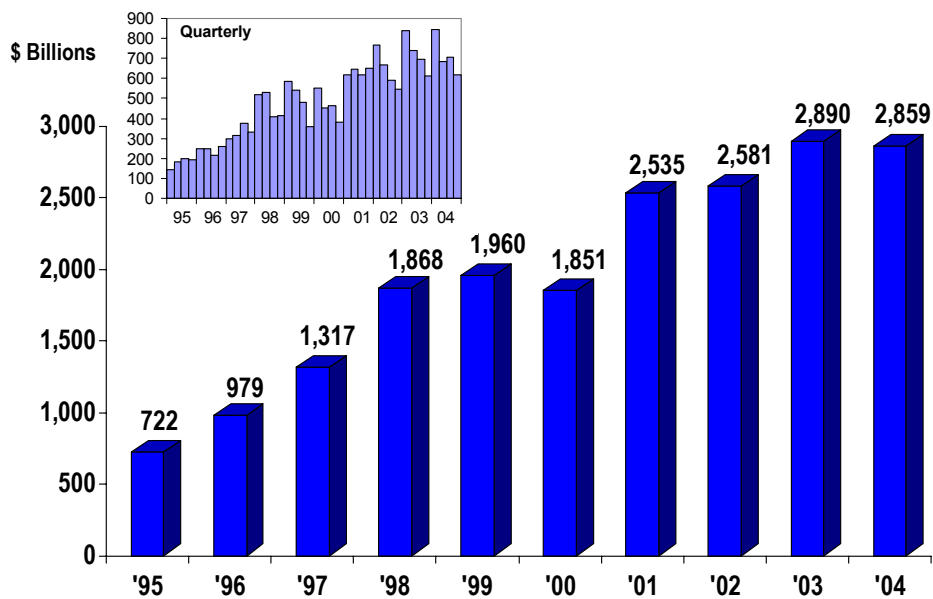
Monthly Total Underwriting

(\$ Billions)



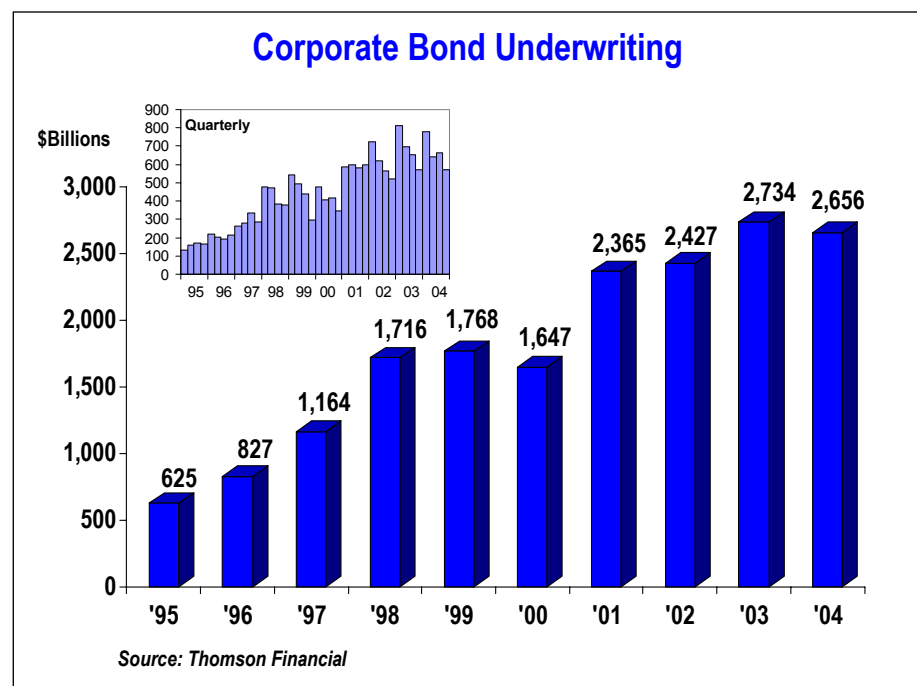
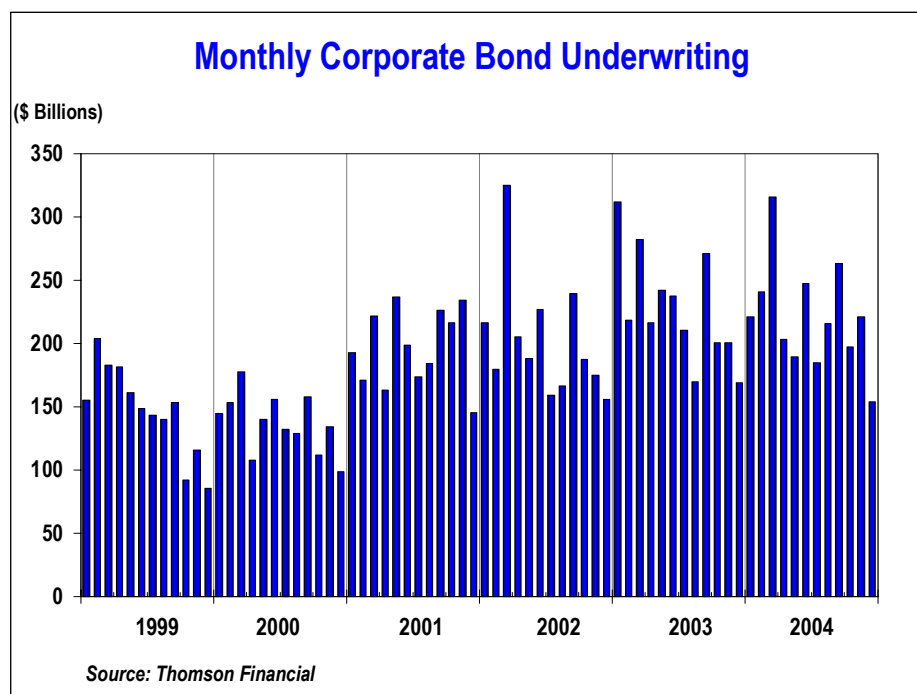
Source: Thomson Financial

Total Corporate Underwriting

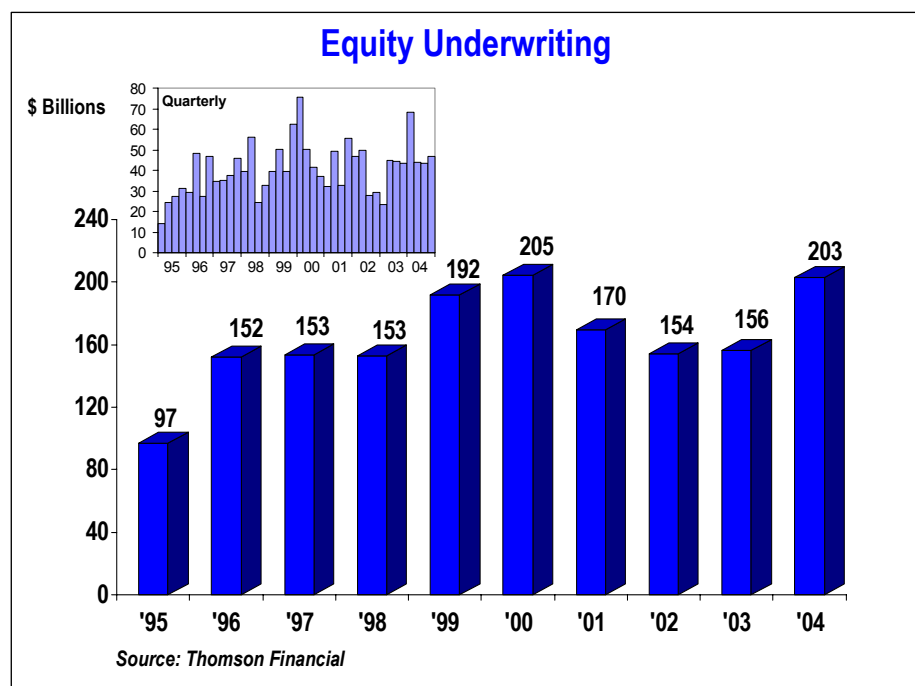
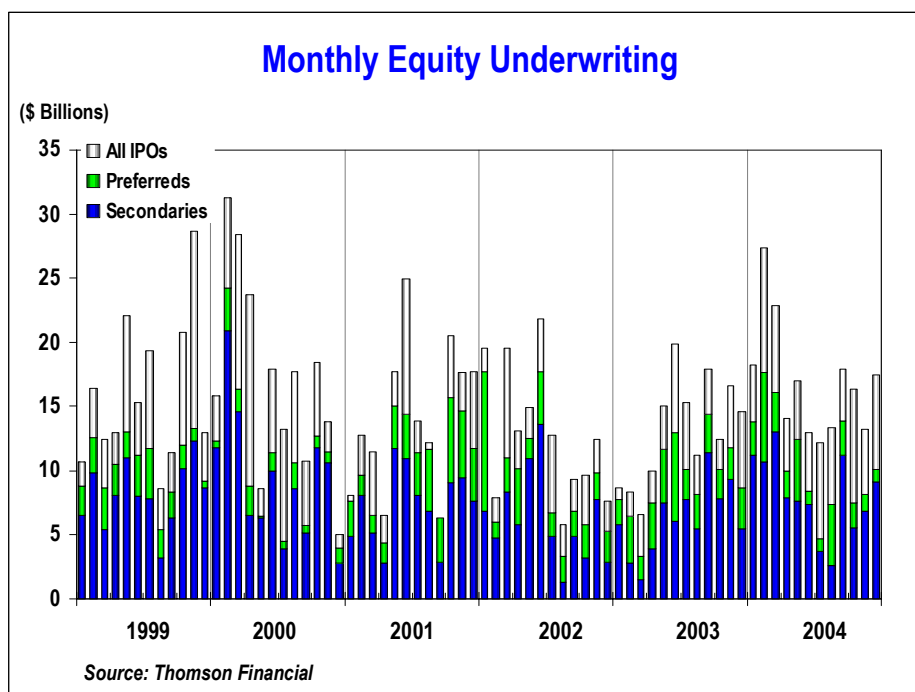


Source: Thomson Financial

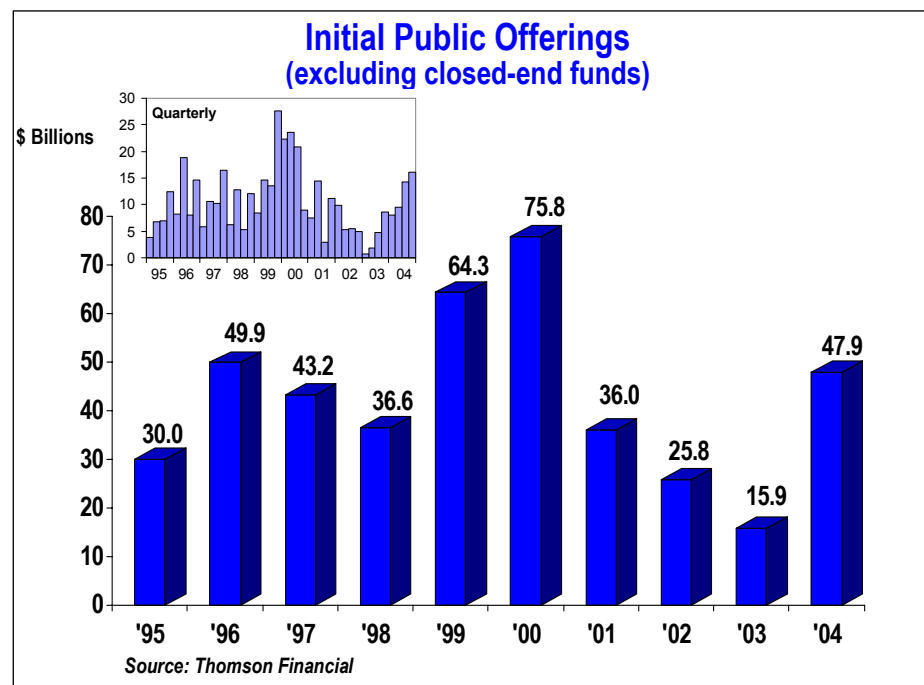
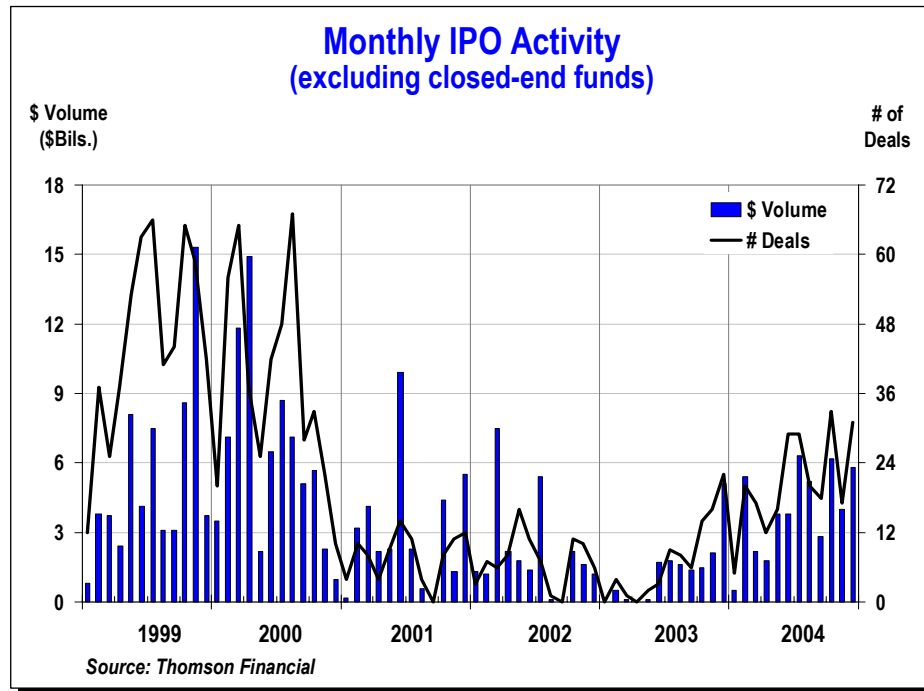
Corporate Bond Underwriting – After a strong start to the year, overall corporate debt underwriting fell for three consecutive quarters to \$573.2 billion in 4Q'04, down 13.6% from \$663.8 billion in 3Q'04, but 0.4% above 4Q'03 levels. That brought the full-year 2004 total to \$2.66 trillion, just 2.8% shy of the record \$2.73 trillion set in 2003, yet still the second highest volume ever recorded. Asset-backed bonds was the only major fixed-income asset class to show an increase over year-earlier results, with issuance reaching an all-time high of \$1.37 trillion in 2004, eclipsing 2003's previous record of \$1.35 trillion. Additionally, asset-backed volume surpassed that of straight corporate bonds for the first time since 1993. Looking ahead, corporate debt issuance is expected to be flat to down this year, as interest rates keep rising and strong corporate cash positions reduce the financing needs of issuers.



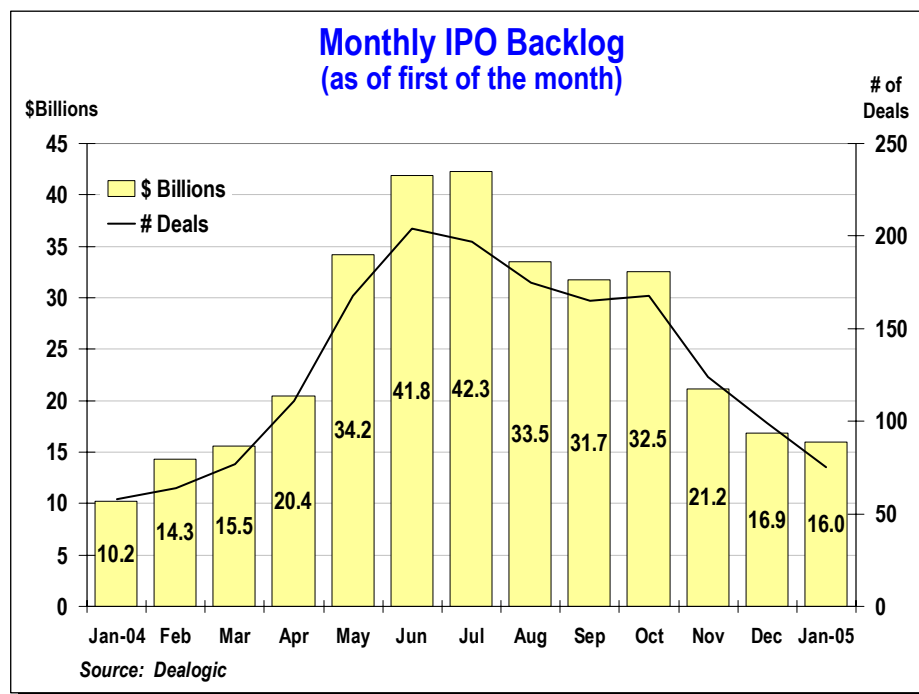
Equity Underwriting – The equity underwriting market also had its second-best year ever in 2004. The year began on a high note, with \$68.4 billion raised in 1Q'04 (the second highest quarterly total ever). Activity dropped off to around \$44 billion in 2Q-3Q'04 before rebounding in 4Q'04 amid the year-end stock market rally. Buoyed by heavy volume in December, equity underwriting activity in 4Q'04 totaled \$46.9 billion, an 8.0% increase over 3Q'04 and 4Q'03 levels of \$43.5 billion. For the year overall, equity underwriting proceeds totaled \$202.7 billion, up 29.7% from 2003's \$156.3 billion but just short of the record \$204.5 billion set in 2000. Robust common stock issuance drove the totals last year, as the 43% increase in common stock offerings offset the 12% decline in preferred stock offerings.



Initial Public Offerings (IPOs) – The U.S. IPO market staged a strong comeback in 2004. After a three-year downturn from a record \$75.8 billion in 2000 to a 13-year low of \$15.9 billion in 2003, IPO volume tripled last year to \$47.9 billion. Still, it remained 36.8% below 2000's record level. IPO volume strengthened as the year progressed, with dollar and deal volume doubling from \$8.1 billion (42 deals) in 1Q'04 to \$16.0 billion (81 deals) in 4Q'04 -- its busiest quarter since 3Q'00.



The outlook for 2005 is promising, given improved stock market conditions and strong IPO aftermarket performance last year. Indeed, 2004 IPOs rose an average of 34% from their offering price by year's end, compared with a 28% gain in 2003, according to Renaissance Capital's IPOhome.com. The heavy IPO issuance in 2004 reduced the large backlog of deals, but we still enter 2005 with 75 deals in the pipeline valued at \$16.0 billion, compared with 58 deals worth \$10.2 billion at this same time last year.



Grace Toto
Vice President and Director, Statistics

U.S. CORPORATE UNDERWRITING ACTIVITY

(In \$ Billions)

	Straight Corporate Debt	Con- vertible Debt	Asset- Backed Debt	TOTAL DEBT	Common Stock	Preferred Stock	TOTAL EQUITY	All IPOs	"True" IPOs	Secondaries	TOTAL UNDER- WRITINGS
1985	76.4	7.5	20.8	104.7	24.7	8.6	33.3	8.5	8.4	16.2	138.0
1986	149.8	10.1	67.8	227.7	43.2	13.9	57.1	22.3	18.1	20.9	284.8
1987	117.8	9.9	91.7	219.4	41.5	11.4	52.9	24.0	14.3	17.5	272.3
1988	120.3	3.1	113.8	237.2	29.7	7.6	37.3	23.6	5.7	6.1	274.5
1989	134.1	5.5	135.3	274.9	22.9	7.7	30.6	13.7	6.1	9.2	305.5
1990	107.7	4.7	176.1	288.4	19.2	4.7	23.9	10.1	4.5	9.0	312.3
1991	203.6	7.8	300.0	511.5	56.0	19.9	75.9	25.1	16.4	30.9	587.4
1992	319.8	7.1	427.0	753.8	72.5	29.3	101.8	39.6	24.1	32.9	855.7
1993	448.4	9.3	474.8	932.5	102.4	28.4	130.8	57.4	41.3	45.0	1,063.4
1994	381.2	4.8	253.5	639.5	61.4	15.5	76.9	33.7	28.3	27.7	716.4
1995	466.0	6.9	152.4	625.3	82.0	15.1	97.1	30.2	30.0	51.8	722.4
1996	564.8	9.3	252.9	827.0	115.5	36.5	151.9	50.0	49.9	65.5	979.0
1997	769.8	8.5	385.6	1,163.9	120.2	33.3	153.4	44.2	43.2	75.9	1,317.3
1998	1,142.5	6.3	566.8	1,715.6	115.0	37.8	152.7	43.7	36.6	71.2	1,868.3
1999	1,264.8	16.1	487.1	1,768.0	164.3	27.5	191.7	66.8	64.3	97.5	1,959.8
2000	1,236.2	17.0	393.4	1,646.6	189.1	15.4	204.5	76.1	75.8	112.9	1,851.0
2001	1,511.2	21.6	832.5	2,365.4	128.4	41.3	169.7	40.8	36.0	87.6	2,535.1
2002	1,303.2	8.6	1,115.4	2,427.2	116.4	37.6	154.0	41.2	25.8	75.2	2,581.1
2003	1,370.7	10.6	1,352.3	2,733.6	118.5	37.8	156.3	43.7	15.9	74.8	2,889.9
2004	1,278.4	5.5	1,372.3	2,656.2	169.6	33.2	202.7	72.8	47.9	96.7	2,859.0
<u>2003</u>											
Jan	150.3	0.0	162.5	312.7	6.8	1.9	8.8	1.0	0.0	5.8	321.5
Feb	114.7	0.0	104.1	218.8	4.7	3.6	8.3	1.9	0.5	2.8	227.1
Mar	141.9	0.1	140.2	282.3	4.8	1.8	6.5	3.3	0.1	1.5	288.8
Apr	101.5	1.3	113.6	216.5	6.4	3.6	10.0	2.5	0.0	3.9	226.5
May	120.7	3.0	118.7	242.4	10.9	4.1	15.0	3.4	0.1	7.5	257.4
June	118.0	5.1	114.7	237.9	13.1	6.8	19.9	7.0	1.7	6.1	257.8
July	96.4	0.4	114.0	210.8	12.9	2.4	15.3	5.2	1.8	7.7	226.1
Aug	72.7	0.0	97.5	170.3	8.4	2.7	11.1	3.0	1.6	5.5	181.4
Sept	137.4	0.0	133.9	271.3	14.9	3.0	17.9	3.5	1.4	11.4	289.2
Oct	110.5	0.1	90.6	201.2	10.2	2.3	12.4	2.3	1.5	7.8	213.6
Nov	97.4	0.0	103.1	200.6	14.0	2.5	16.6	4.8	2.1	9.3	217.1
Dec	109.1	0.6	59.3	169.0	11.3	3.2	14.5	5.9	5.1	5.5	183.5
<u>2004</u>											
Jan	139.4	1.4	80.3	221.1	15.6	2.6	18.2	4.4	0.5	11.2	239.2
Feb	132.2	0.7	108.1	240.9	20.5	6.9	27.4	9.8	5.4	10.7	268.2
Mar	170.5	0.6	145.2	316.2	19.8	3.1	22.8	6.7	2.2	13.0	339.1
Apr	101.6	0.3	101.9	203.9	12.0	2.1	14.1	4.1	1.8	7.9	218.0
May	81.4	0.1	108.1	189.6	12.2	4.8	17.0	4.6	3.8	7.6	206.6
June	107.0	0.0	140.6	247.6	11.8	1.0	12.9	4.5	3.8	7.4	260.5
July	74.2	0.0	110.7	184.9	11.2	1.0	12.2	7.5	6.3	3.7	197.1
Aug	81.0	0.0	134.7	215.7	8.6	4.8	13.4	6.0	5.2	2.6	229.1
Sept	130.5	0.6	132.1	263.2	15.2	2.7	17.9	4.0	2.8	11.2	281.1
Oct	81.0	1.1	115.6	197.7	14.4	1.9	16.3	8.8	6.2	5.6	214.0
Nov	108.7	0.4	111.7	220.9	11.8	1.3	13.1	5.0	4.0	6.9	234.0
Dec	70.9	0.3	83.5	154.6	16.5	1.0	17.5	7.4	5.8	9.1	172.1
YTD '03	1,370.7	10.6	1,352.3	2,733.6	118.5	37.8	156.3	43.7	15.9	74.8	2,889.9
YTD '04	1,278.4	5.5	1,372.3	2,656.2	169.6	33.2	202.7	72.8	47.9	96.7	2,859.0
% Change	-6.7%	-48.3%	1.5%	-2.8%	43.1%	-12.3%	29.7%	66.7%	201.2%	29.3%	-1.1%

Note: IPOs and secondaries are subsets of common stock. "True" IPOs exclude closed-end funds.

Source: Thomson Financial

MUNICIPAL BOND UNDERWRITINGS

(In \$ Billions)

INTEREST RATES

(Averages)

	Compet. Rev. Bonds	Nego. Rev. Bonds	TOTAL REVENUE BONDS	Compet. G.O.s	Nego. G.O.s	TOTAL G.O.s	TOTAL MUNICIPAL BONDS	3-Mo. T Bills	10-Year Treasury	SPREAD
1985	10.2	150.8	161.0	17.6	22.8	40.4	201.4	7.47	10.62	3.15
1986	10.0	92.6	102.6	23.1	22.6	45.7	148.3	5.97	7.68	1.71
1987	7.1	64.4	71.5	16.3	14.2	30.5	102.0	5.78	8.39	2.61
1988	7.6	78.1	85.7	19.2	12.7	31.9	117.6	6.67	8.85	2.18
1989	9.2	75.8	85.0	20.7	17.2	37.9	122.9	8.11	8.49	0.38
1990	7.6	78.4	86.0	22.7	17.5	40.2	126.2	7.50	8.55	1.05
1991	11.0	102.1	113.1	29.8	28.1	57.9	171.0	5.38	7.86	2.48
1992	12.5	139.0	151.6	32.5	49.0	81.5	233.1	3.43	7.01	3.58
1993	20.0	175.6	195.6	35.6	56.7	92.4	287.9	3.00	5.87	2.87
1994	15.0	89.2	104.2	34.5	23.2	57.7	161.9	4.25	7.09	2.84
1995	13.5	81.7	95.2	27.6	32.2	59.8	155.0	5.49	6.57	1.08
1996	15.6	100.1	115.7	31.3	33.2	64.5	180.2	5.01	6.44	1.43
1997	12.3	130.2	142.6	35.5	36.5	72.0	214.6	5.06	6.35	1.29
1998	21.4	165.6	187.0	43.7	49.0	92.8	279.8	4.78	5.26	0.48
1999	14.3	134.9	149.2	38.5	31.3	69.8	219.0	4.64	5.65	1.01
2000	13.6	116.2	129.7	35.0	29.3	64.3	194.0	5.82	6.03	0.21
2001	17.6	164.2	181.8	45.5	56.3	101.8	283.5	3.39	5.02	1.63
2002	19.5	210.5	230.0	52.3	73.1	125.4	355.4	1.60	4.61	3.01
2003	21.1	215.8	236.9	54.7	87.7	142.4	379.3	1.01	4.02	3.00
2004	17.2	209.8	227.1	51.5	77.7	129.2	356.3	1.37	4.27	2.90
<u>2003</u>										
Jan	1.4	16.8	18.2	4.4	4.3	8.8	27.0	1.17	4.05	2.88
Feb	1.8	15.6	17.4	5.1	7.6	12.8	30.2	1.17	3.90	2.73
Mar	2.0	16.4	18.4	4.2	5.5	9.7	28.1	1.13	3.81	2.68
Apr	1.6	18.4	20.1	4.6	10.2	14.8	34.9	1.13	3.96	2.83
May	3.0	20.3	23.3	5.5	7.1	12.6	35.8	1.07	3.57	2.50
June	2.1	22.6	24.7	6.6	17.1	23.7	48.4	0.92	3.33	2.41
July	2.2	18.5	20.6	6.5	6.1	12.6	33.3	0.90	3.98	3.08
Aug	1.1	17.6	18.7	3.9	3.4	7.2	25.9	0.95	4.45	3.50
Sept	1.4	17.6	18.9	3.6	3.2	6.8	25.7	0.94	4.27	3.33
Oct	1.6	16.7	18.4	3.8	12.2	16.0	34.3	0.92	4.29	3.37
Nov	1.3	16.2	17.5	4.1	4.2	8.3	25.8	0.93	4.30	3.37
Dec	1.7	19.1	20.7	2.3	6.8	9.1	29.8	0.90	4.27	3.37
<u>2004</u>										
Jan	0.7	10.4	11.1	3.6	5.7	9.3	20.4	0.88	4.15	3.27
Feb	1.0	13.0	14.1	4.8	7.7	12.5	26.5	0.93	4.08	3.15
Mar	2.7	19.7	22.4	5.6	10.5	16.1	38.5	0.94	3.83	2.89
Apr	1.0	18.1	19.0	3.5	8.2	11.8	30.8	0.94	4.35	3.41
May	1.4	28.0	29.5	3.1	4.7	7.8	37.2	1.02	4.72	3.70
June	1.3	24.0	25.3	4.5	5.4	9.8	35.1	1.27	4.73	3.46
July	1.8	14.6	16.5	5.1	3.7	8.9	25.3	1.33	4.50	3.17
Aug	0.6	15.5	16.1	4.0	7.6	11.6	27.7	1.48	4.28	2.80
Sept	1.7	13.2	14.9	5.3	4.8	10.1	25.0	1.65	4.13	2.48
Oct	2.4	17.7	20.0	5.3	6.5	11.8	31.9	1.76	4.10	2.34
Nov	1.1	17.2	18.3	2.3	4.6	6.8	25.1	2.07	4.19	2.12
Dec	1.5	18.5	20.0	4.5	8.3	12.7	32.7	2.19	4.23	2.04
YTD '03	21.1	215.8	236.9	54.7	87.7	142.4	379.3	1.01	4.02	3.00
YTD '04	17.2	209.8	227.1	51.5	77.7	129.2	356.3	1.37	4.27	2.90
% Change	-18.4%	-2.8%	-4.1%	-5.9%	-11.3%	-9.3%	-6.1%	35.7%	6.5%	-3.4%

Sources: Thomson Financial; Federal Reserve

STOCK MARKET PERFORMANCE INDICES

(End of Period)

STOCK MARKET VOLUME

(Daily Avg., Mils. of Shs.)

VALUE TRADED

(Daily Avg., \$ Bils.)

	Dow Jones Industrial Average	S&P 500	NYSE Composite	Nasdaq Composite	NYSE	AMEX	Nasdaq	NYSE	Nasdaq
1985	1,546.67	211.28	1,285.66	324.93	109.2	8.3	82.1	3.9	0.9
1986	1,895.95	242.17	1,465.31	348.83	141.0	11.8	113.6	5.4	1.5
1987	1,938.83	247.08	1,461.61	330.47	188.9	13.9	149.8	7.4	2.0
1988	2,168.57	277.72	1,652.25	381.38	161.5	9.9	122.8	5.4	1.4
1989	2,753.20	353.40	2,062.30	454.82	165.5	12.4	133.1	6.1	1.7
1990	2,633.66	330.22	1,908.45	373.84	156.8	13.2	131.9	5.2	1.8
1991	3,168.83	417.09	2,426.04	586.34	178.9	13.3	163.3	6.0	2.7
1992	3,301.11	435.71	2,539.92	676.95	202.3	14.2	190.8	6.9	3.5
1993	3,754.09	466.45	2,739.44	776.80	264.5	18.1	263.0	9.0	5.3
1994	3,834.44	459.27	2,653.37	751.96	291.4	17.9	295.1	9.7	5.8
1995	5,117.12	615.93	3,484.15	1,052.13	346.1	20.1	401.4	12.2	9.5
1996	6,448.27	740.74	4,148.07	1,291.03	412.0	22.1	543.7	16.0	13.0
1997	7,908.25	970.43	5,405.19	1,570.35	526.9	24.4	647.8	22.8	17.7
1998	9,181.43	1,229.23	6,299.93	2,192.69	673.6	28.9	801.7	29.0	22.9
1999	11,497.12	1,469.25	6,876.10	4,069.31	808.9	32.7	1,081.8	35.5	43.7
2000	10,786.85	1,320.28	6,945.57	2,470.52	1,041.6	52.9	1,757.0	43.9	80.9
2001	10,021.50	1,148.08	6,236.39	1,950.40	1,240.0	65.8	1,900.1	42.3	44.1
2002	8,341.63	879.82	5,000.00	1,335.51	1,441.0	63.7	1,752.8	40.9	28.8
2003	10,453.92	1,111.92	6,440.30	2,003.37	1,398.4	67.1	1,685.5	38.5	28.0
2004	10,783.01	1,211.92	7,250.06	2,175.44	1,456.7	65.6	1,801.3	46.1	34.6
<u>2003</u>									
Jan	8,053.81	855.70	4,868.68	1,320.91	1,474.7	62.9	1,547.6	37.5	24.7
Feb	7,891.08	841.15	4,716.07	1,337.52	1,336.4	53.6	1,311.4	32.8	20.4
Mar	7,992.13	848.18	4,730.21	1,341.17	1,439.3	64.7	1,499.9	36.3	23.0
Apr	8,480.09	916.92	5,131.56	1,464.31	1,422.7	54.7	1,478.2	37.1	23.5
May	8,850.26	963.59	5,435.37	1,595.91	1,488.6	69.6	1,847.9	39.2	27.4
June	8,985.44	974.50	5,505.17	1,622.80	1,516.3	79.5	2,032.2	42.7	32.0
July	9,233.80	990.31	5,558.99	1,735.02	1,451.1	67.4	1,771.7	40.7	30.5
Aug	9,415.82	1,008.01	5,660.16	1,810.45	1,200.3	57.7	1,470.8	34.1	25.3
Sept	9,275.06	995.97	5,644.03	1,786.94	1,436.7	83.9	1,943.2	41.1	33.0
Oct	9,801.12	1,050.71	5,959.01	1,932.21	1,430.0	68.6	1,827.1	41.7	33.1
Nov	9,782.46	1,058.20	6,073.02	1,960.26	1,293.3	71.7	1,821.0	38.5	32.4
Dec	10,453.92	1,111.92	6,440.30	2,003.37	1,275.7	70.4	1,637.0	38.9	29.7
<u>2004</u>									
Jan	10,488.07	1,131.13	6,551.63	2,066.15	1,663.1	79.8	2,331.7	50.3	40.9
Feb	10,583.92	1,144.94	6,692.37	2,029.82	1,481.2	75.5	1,917.2	46.3	36.5
Mar	10,357.70	1,126.21	6,599.06	1,994.22	1,477.5	76.7	1,880.6	47.1	34.9
Apr	10,225.57	1,107.30	6,439.42	1,920.15	1,524.7	78.3	1,950.8	49.0	37.3
May	10,188.45	1,120.68	6,484.72	1,986.74	1,500.0	72.1	1,663.6	46.9	32.3
June	10,435.48	1,140.84	6,602.99	2,047.79	1,371.4	57.4	1,623.3	43.5	32.9
July	10,139.71	1,101.72	6,403.15	1,887.36	1,418.1	54.1	1,734.8	44.1	33.2
Aug	10,173.92	1,104.24	6,454.22	1,838.10	1,243.5	49.5	1,431.0	37.7	26.7
Sept	10,080.27	1,114.58	6,570.25	1,896.84	1,322.2	52.7	1,510.7	41.8	29.1
Oct	10,027.47	1,130.20	6,692.71	1,974.99	1,543.5	61.3	1,730.7	49.5	34.5
Nov	10,428.02	1,173.82	7,005.72	2,096.81	1,494.4	68.5	1,827.6	49.0	38.0
Dec	10,783.01	1,211.92	7,250.06	2,175.44	1,463.3	63.4	2,042.2	48.4	39.9
YTD '03	10,453.92	1,111.92	6,440.30	2,003.37	1,398.4	67.1	1,685.5	38.5	28.0
YTD '04	10,783.01	1,211.92	7,250.06	2,175.44	1,456.7	65.6	1,801.3	46.1	34.6
% Change	3.1%	9.0%	12.6%	8.6%	4.2%	-2.3%	6.9%	19.9%	23.7%

MUTUAL FUND ASSETS

(\$ Billions)

MUTUAL FUND NET NEW CASH FLOW*

(\$ Billions)

	Equity	Hybrid	Bond	Money Market	TOTAL ASSETS	Equity	Hybrid	Bond	Money Market	TOTAL	Total Long- Term Funds
1985	116.9	12.0	122.6	243.8	495.4	8.5	1.9	63.2	-5.4	68.2	73.6
1986	161.4	18.8	243.3	292.2	715.7	21.7	5.6	102.6	33.9	163.8	129.9
1987	180.5	24.2	248.4	316.1	769.2	19.0	4.0	6.8	10.2	40.0	29.8
1988	194.7	21.1	255.7	338.0	809.4	-16.1	-2.5	-4.5	0.1	-23.0	-23.1
1989	248.8	31.8	271.9	428.1	980.7	5.8	4.2	-1.2	64.1	72.8	8.8
1990	239.5	36.1	291.3	498.3	1,065.2	12.8	2.2	6.2	23.2	44.4	21.2
1991	404.7	52.2	393.8	542.5	1,393.2	39.4	8.0	58.9	5.5	111.8	106.3
1992	514.1	78.0	504.2	546.2	1,642.5	78.9	21.8	71.0	-16.3	155.4	171.7
1993	740.7	144.5	619.5	565.3	2,070.0	129.4	39.4	73.3	-14.1	228.0	242.1
1994	852.8	164.5	527.1	611.0	2,155.4	118.9	20.9	-64.6	8.8	84.1	75.2
1995	1,249.1	210.5	598.9	753.0	2,811.5	127.6	5.3	-10.5	89.4	211.8	122.4
1996	1,726.1	252.9	645.4	901.8	3,526.3	216.9	12.3	2.8	89.4	321.3	232.0
1997	2,368.0	317.1	724.2	1,058.9	4,468.2	227.1	16.5	28.4	102.1	374.1	272.0
1998	2,978.2	364.7	830.6	1,351.7	5,525.2	157.0	10.2	74.6	235.3	477.1	241.8
1999	4,041.9	383.2	808.1	1,613.1	6,846.3	187.7	-12.4	-5.5	193.6	363.4	169.8
2000	3,962.0	346.3	811.1	1,845.2	6,964.7	309.4	-30.7	-49.8	159.6	388.6	228.9
2001	3,418.2	346.3	925.1	2,285.3	6,975.0	31.9	9.5	87.7	375.6	504.8	129.2
2002	2,667.0	327.4	1,124.9	2,272.0	6,391.3	-27.7	8.6	140.3	-46.7	74.5	121.2
2003	3,684.8	436.7	1,240.9	2,051.7	7,414.1	151.4	33.3	31.3	-258.5	-42.5	216.1
<u>2003</u>											
Jan	2,597.7	324.7	1,138.2	2,273.6	6,334.2	-0.3	1.1	12.9	-1.1	12.6	13.7
Feb	2,537.8	322.9	1,171.1	2,236.2	6,268.0	-10.9	0.1	19.6	-39.5	-30.7	8.8
Mar	2,551.3	325.3	1,183.3	2,204.7	6,264.6	0.0	0.9	10.5	-32.3	-20.9	11.4
Apr	2,770.3	346.8	1,210.5	2,157.7	6,485.3	16.1	2.7	10.5	-53.8	-24.5	29.3
May	2,958.5	365.8	1,238.7	2,140.6	6,703.6	11.9	3.0	8.9	-18.3	5.6	23.8
June	3,031.1	373.6	1,248.4	2,164.4	6,817.5	18.6	3.9	5.1	22.3	49.9	27.7
July	3,126.0	376.4	1,212.1	2,152.5	6,867.0	21.5	3.4	-10.9	-12.9	1.1	14.0
Aug	3,238.5	382.3	1,209.4	2,141.0	6,971.2	23.6	3.3	-12.6	-20.2	-5.9	14.3
Sept	3,228.5	388.2	1,231.3	2,100.0	6,948.0	17.5	3.8	-5.9	-50.5	-35.1	15.4
Oct	3,440.4	405.9	1,226.6	2,080.1	7,153.0	25.0	4.0	-1.3	-22.2	5.4	27.7
Nov	3,513.3	416.4	1,232.7	2,071.7	7,234.1	14.9	2.9	-2.7	-7.4	7.8	15.2
<u>2004</u>											
Jan	3,805.1	447.8	1,249.9	2,034.3	7,537.1	43.0	5.5	-0.3	-19.8	28.4	48.2
Feb	3,896.3	458.6	1,262.4	2,016.6	7,633.9	26.2	5.0	1.5	-21.0	11.8	32.8
Mar	3,887.5	456.3	1,278.9	2,006.6	7,629.3	16.0	4.8	7.8	-10.3	18.3	28.6
Apr	3,811.4	452.3	1,246.8	1,961.9	7,472.4	23.0	4.6	-7.8	-46.3	-26.6	19.8
May	3,855.1	456.9	1,224.4	1,969.7	7,506.1	0.4	2.3	-16.2	6.6	-7.0	-13.5
June	3,948.9	466.9	1,221.0	1,948.8	7,585.6	10.4	2.4	-7.6	-21.9	-16.6	5.2
July	3,797.3	462.3	1,230.0	1,947.1	7,436.7	9.4	3.0	-1.2	-3.2	8.0	11.2
Aug	3,803.6	469.9	1,252.8	1,934.7	7,461.0	1.2	2.6	4.2	-13.5	-5.6	8.0
Sept	3,916.5	479	1,263.9	1,903.7	7,563.1	10.2	3.0	2.8	-42.4	-26.4	16.0
Oct	3,994.3	487.1	1,277.8	1,891.4	7,650.6	7.2	3.5	3.6	-14.3	0.0	14.2
Nov	4,222.2	504.4	1,276.5	1,921.2	7,924.3	21.3	4.1	2.0	27.5	54.9	27.5
Dec											
YTD '03	3,513.3	416.4	1,232.7	2,071.7	7,234.1	138.1	29.0	34.2	-235.8	-34.6	201.3
YTD '04	4,222.2	504.4	1,276.5	1,921.2	7,924.3	168.2	40.8	-11.1	-158.6	39.2	197.9
% Change	20.2%	21.1%	3.6%	-7.3%	9.5%	21.8%	40.8%	-132.5%	NM	NM	-1.7%

* New sales (excluding reinvested dividends) minus redemptions, combined with net exchanges

Source: Investment Company Institute



Securities Industry Association

120 Broadway, New York, NY 10271-0080

(212) 608-1500, Fax (212) 608-1604

info@sia.com, www.sia.com