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## EXCHANGE TRADED FUND UPDATE

*Frank A. Fernandez*

## NYSE MEMBER FIRMS REPORT SLUMP IN 4Q'05 DOMESTIC PROFITS

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*Grace Toto*

## MONTHLY STATISTICAL REVIEW AND FIRST QUARTER WRAP-UP

*Kyle L Brandon*

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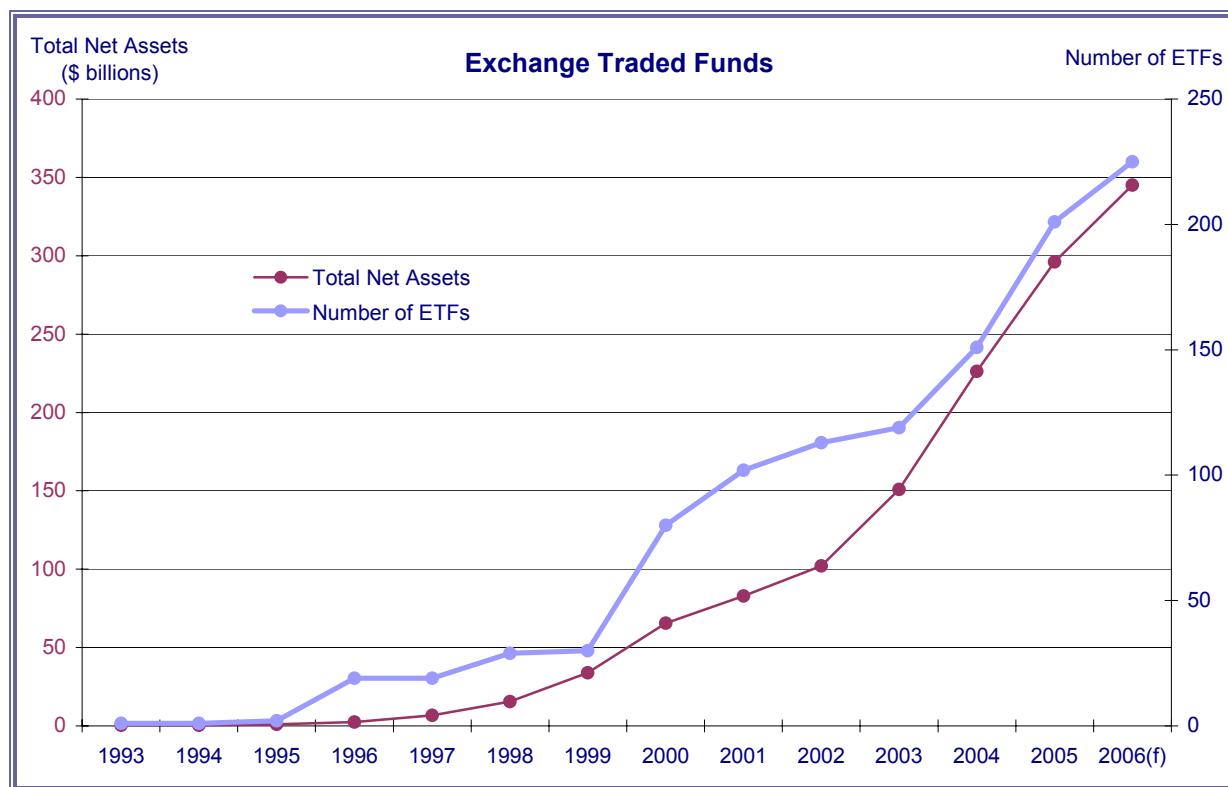
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- 14..... **Monthly Statistical Review and First Quarter Wrap-Up**, by Kyle L Brandon. The three major indices posted strong results in March and registered gains in the first quarter of 2006. The S&P 500 and DJIA were both up 3.7% during 1Q'05, while the NASDAQ Composite rose 6.1%. Average daily share and dollar volume on the NYSE decreased in March, while for the quarter daily average share volume reached a record level. Trading activity was up somewhat on NASDAQ during March and strongly for the quarter, reaching its highest average daily volume level since January 2001. Total underwriting activity in the U.S. market surged 24.9% in March, reflecting increased new issuance of both corporate debt and equity. For the first quarter as a whole, underwriting activity totaled \$865.3 billion, up 12.6% from the previous quarter and 10.0% from the same year-earlier period. U.S. IPO activity waned in March, bringing the first quarter total to \$8.9 billion, unchanged from the previous quarter.

The members of the SIA Research Department regretfully announce the retirement of our esteemed colleague, Grace Toto, our Director of Statistics, who recently completed 27 years of service at SIA. Grace takes with her a wealth of industry knowledge that will be impossible to replace. Our heartfelt thanks for the selfless contributions she made over the years that made all of our jobs easier and, of course, our best wishes for the future go with her. We will truly miss you, Grace.

## EXCHANGE TRADED FUND UPDATE

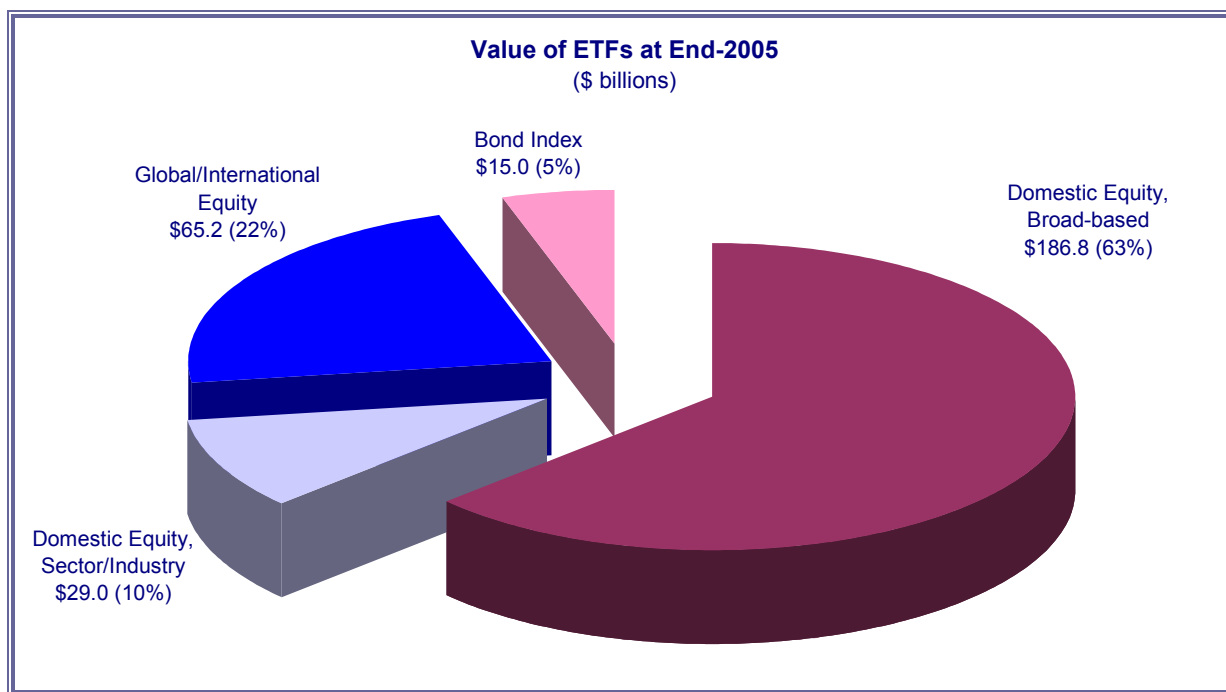
Over the past several years, Exchange Traded Funds (ETFs) have grown dramatically, both in number and volume, and accounted for a rising share of all fund issuance, as investors have recognized their advantages, which include diversification, reduced costs and execution risks, liquidity and transparency, and tax efficiency.<sup>1</sup> Continued strong growth in ETFs is expected to outpace growth in more traditional fund products such as mutual funds and closed-end funds.



Source: Investment Company Institute (year-end data for both series)

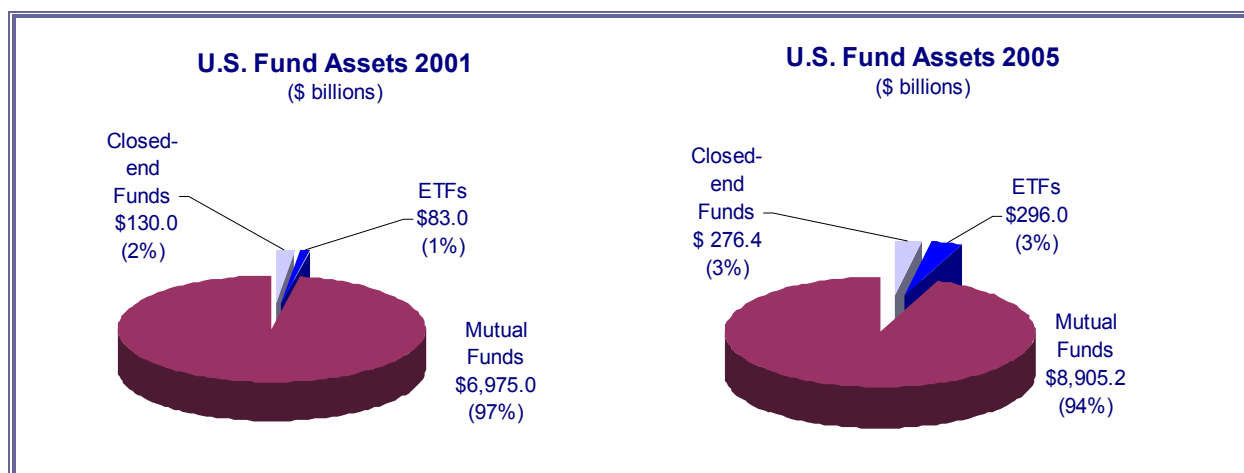
ETFs are funds that typically track particular indexes of stocks or bonds, issue shares traded on securities markets like stocks, and aren't actively managed. More formally, ETFs are investment companies<sup>2</sup> registered under the Investment Company Act of 1940 (the "Investment Company Act") either as unit investment trusts<sup>3</sup> or as open-end investment companies (mutual funds), but differ from these more traditional forms in a number of respects.<sup>4</sup> Shares of ETFs are traded by both institutional and retail investors on securities exchanges and in the over-the-counter markets at negotiated prices. ETFs are similar to index funds in that they are designed to replicate the holdings or correspond to the performance and yield of a reference securities index or a highly correlated subset of the securities underlying the index.

At year end-2005 there were 201 ETFs with \$296.0 billion in total net assets, up from 151 funds holding \$226.2 billion at end-2004, an increase of 33% in number and 31% in value. Of the 201 ETFs extant at the end of last year, 199 were equity index funds (150 domestic equity funds and 49 global/international equity funds) and six were bond index funds. In terms of legal structure, 193 were open-end investment companies and eight were unit investment trusts.



Source: ICI

ETFs are a relatively new type of investment fund when compared to mutual funds and closed-end investment funds, having been introduced in the U.S. only in 1993. Although still a relatively small part of the total U.S. funds market (compared to the more than 8,000 mutual funds that hold over \$9.2 trillion in assets<sup>5</sup>), ETFs are the fastest growing sector. In 2001, ETFs represented less than 1.1% of the value of all fund assets. By 2005, the total assets of ETFs had surpassed the value of assets held in closed-end funds and represented 3.1% of all U.S. fund assets at year-end.



Source: ICI

Cumulatively from 2002 through 2004, net issuance of shares in domestic equity ETFs was more than three-fold larger than issuance of shares in global/international equity funds (\$82.7 billion as compared to \$25.2 billion). During 2005, global/international equity ETFs rose in importance. Last year, total net issuance of ETF shares reached \$53.9 billion, of which roughly

equal shares were accounted for by domestic equity funds (\$23.7 billion) and global/international equity funds (\$23.6 billion), with the remainder (\$6.8 billion) in issuance of bond funds.

Strong growth of ETFs has continued in 2006, with an estimated \$10.0 billion increase in assets in 1Q'06, virtually all of which went into global/international equity index funds,<sup>6</sup> and total assets in all ETFs are forecast to reach \$345 billion by end-2006.<sup>7</sup> Some analysts expect ETFs to "become the mutual funds of the 21<sup>st</sup> Century as assets in exchange traded funds (are expected) to surpass \$1 trillion by the end of the decade."<sup>8</sup>

The ETF market is highly concentrated, with one major fund complex offering more than half the number of products offered and the two largest fund complexes in this sector holding over half the assets in the ETF market, with nine companies accounting for virtually the entire market. However, the number of companies offering ETFs is expected to expand in the years ahead as ETFs are increasingly placed in 401(k) plans and annuity products.

ETFs are also highly concentrated by product type with the largest ETF, known as Spiders, or SPDRs (SPY), which invests in all the stocks contained in the S&P 500 Composite Stock Index, holding \$49.8 billion in net assets,<sup>9</sup> or more than 16% of the total market. Cumulatively, the top five ETFs account for more than \$130 billion of assets or more than 41% of the total currently.<sup>10</sup>

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## Endnotes

<sup>1</sup> The benefits to ETF investors include the following:

- **diversification**. ETFs are typically comprised of a basket of securities based on a broad index that offers investors significant diversification;
- **reduced costs and execution risks**. ETFs permit investors to gain exposure to the reference index at a cost that is generally lower than the all-in price of purchasing the component securities. In addition, ETFs generally offer no-load shares, with lower management fees that are usually charged by index-based mutual funds. As exchange traded instruments, ETF shares can be traded among investors without imposing transaction costs associated with sales and redemptions in other investment funds;
- **liquidity and transparency**. ETF shares trade continuously, like stocks, with their prices disseminated throughout the day. Estimated values for ETF shares are usually published in 15-second intervals, and net asset value is calculated and disseminated once per day. In addition, the reference index or portfolio typically consists of publicly-traded securities with liquid markets and transparent prices. A number of ETFs are consistently among the most actively-traded securities in U.S. equity markets; and,
- **tax efficiency**. In general, ETFs generate fewer capital gains than actively-managed mutual funds due to low turnover of the securities that constitute their portfolios. Furthermore, the unique in-kind issuance/redemption process for ETF shares results in lower tax liabilities for the ETF (and, indirectly, its investors) than an index-based mutual fund.

For a fuller examination of the EFT issuance/redemption process see SIA Comment Letter to the SEC filed August 26, 2005, Re: Request for Exemptive Relief Regarding Exchange-Traded Funds. For more on the benefits to ETF investors generally, see SEC Release 40-25,258 (Nov. 8, 2001), 66 Fed. Reg. 57,631 (Nov. 15, 2001) (concept release regarding actively-managed ETFs) and Paul F. Royce, *Regulatory Issues Involving Exchange Traded Funds*, Speech at the American Stock Exchange Symposium on Exchange Traded Funds (Jan. 14, 2002). For more on the tax efficiency of ETFs, see Dan Culloton, *Are ETFs Really More Tax-Efficient Than Mutual Funds?* Morningstar.com, (February 14, 2006), [http://news.morningstar.com/article.asp?id+156431&\\_QSBPA+Y&fsection=Comm6](http://news.morningstar.com/article.asp?id+156431&_QSBPA+Y&fsection=Comm6).

<sup>2</sup> Generally, according to the SEC, an **investment company** is one that issues securities and is primarily engaged in investing in securities. There are three basic types: mutual funds (open-end companies); closed-end funds and UITs (unit investment trusts). An investment company (corporation, business trust, partnership or limited liability company) “invests the money it receives from investors on a collective basis, and each investor shares in the profits or losses in proportion to the investor’s interest in the investment company. The performance of the investment company will be based on (but it won’t be identical to) the performance of the securities and other assets that the investment company owns.” For a fuller definition of investment companies, see <http://sec.gov/answers/mfinvco.htm>.

<sup>3</sup> A **unit investment trust (UIT)** is an investment company that: like a mutual fund, typically issues redeemable securities (or “units”), which means it will buy back an investor’s units at the investor’s request at their approximate net asset value; like a closed-end fund, typically will make a one-time public offering of only a specific, fixed number of units; has a termination date (that is established when the UIT is created); does not actively trade its portfolio; and does not have a board of directors, corporate officers, or an investment adviser. See <http://sec.gov/answers/uit.htm>.

<sup>4</sup> One principal difference is that ETFs do not sell individual shares directly to investors and then only in large blocks (50,000 shares for example), known as “creation units” to institutional investors, who purchase the Creation Units with a basket of securities that generally mirrors the ETFs portfolio, and who then often split up the Creation Units and sell individual shares in the secondary market to individual investors. Other important differences include that investors have two options to sell ETF shares: to other investors on the secondary market or sell Creation Units back to the ETF and that ETFs generally redeem Creation Units by giving investors the securities that comprise the portfolio instead of cash. See <http://sec.gov/answers/etf.htm>.

<sup>5</sup> At end-February 2006, total net assets in U.S. mutual funds was \$9,219.2 billion according to the ICI.

<sup>6</sup> See Trimtabs, *Exchange Traded Funds Report*, Vol. 3, No. 75, April 20, 2006.

<sup>7</sup> SIA forecast.

<sup>8</sup> Tiburon Research Release, *Indexed and Exchange Traded Funds*, Tiburon Strategic Advisors, April 21, 2006.

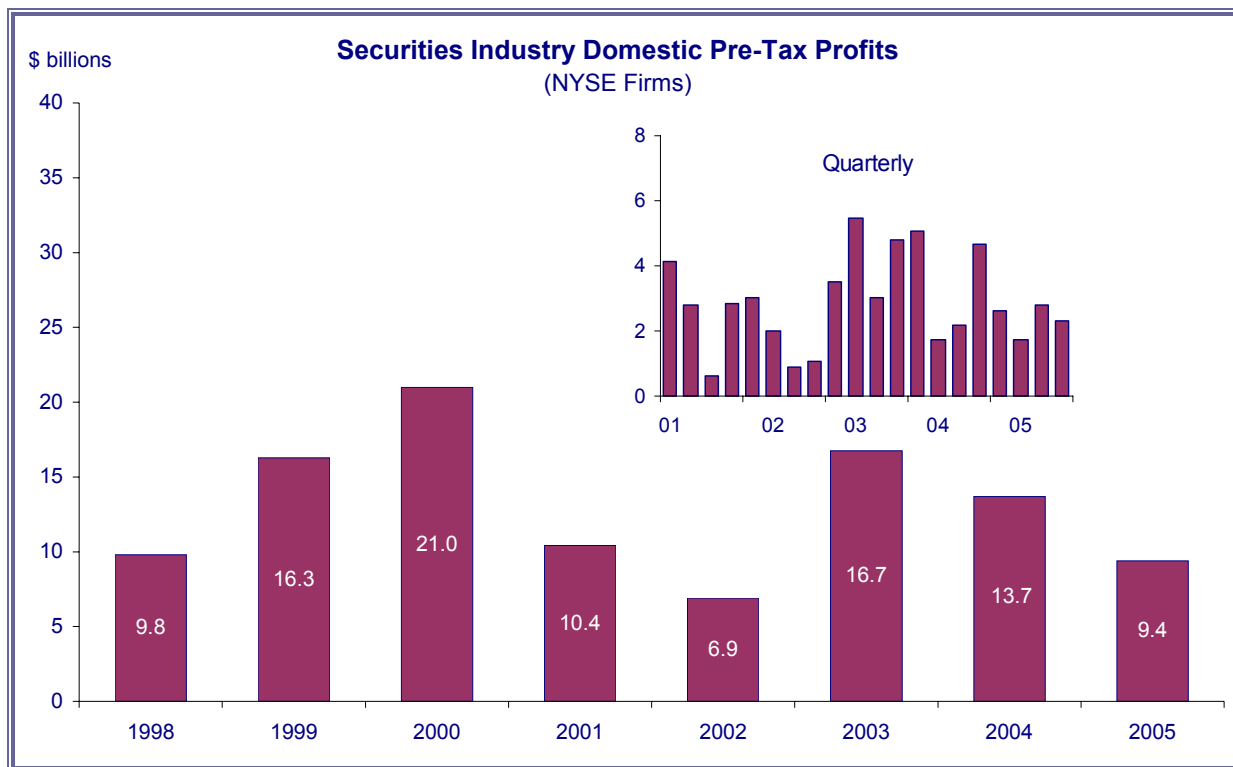
<sup>9</sup> As of April 19, 2006.

<sup>10</sup> As of April 19, 2006.

## NYSE MEMBER FIRMS REPORT SLUMP IN 4Q'05 DOMESTIC PROFITS

New York Stock Exchange (NYSE) member firms doing a public business reported 4Q'05 pre-tax net income (profits) of \$2.3 billion, bringing total domestic profits for 2005 for this group of broker-dealers to \$9.4 billion. Profits, which had partially rebounded in 3Q'05 after disappointing results in 2Q'05, slumped again in the final three months of last year, falling 17.8% below the immediately preceding quarter and 50.8% below results in the same year-earlier period. For 2005 as a whole, profits fell 30.9% below the \$13.7 billion recorded in 2004.

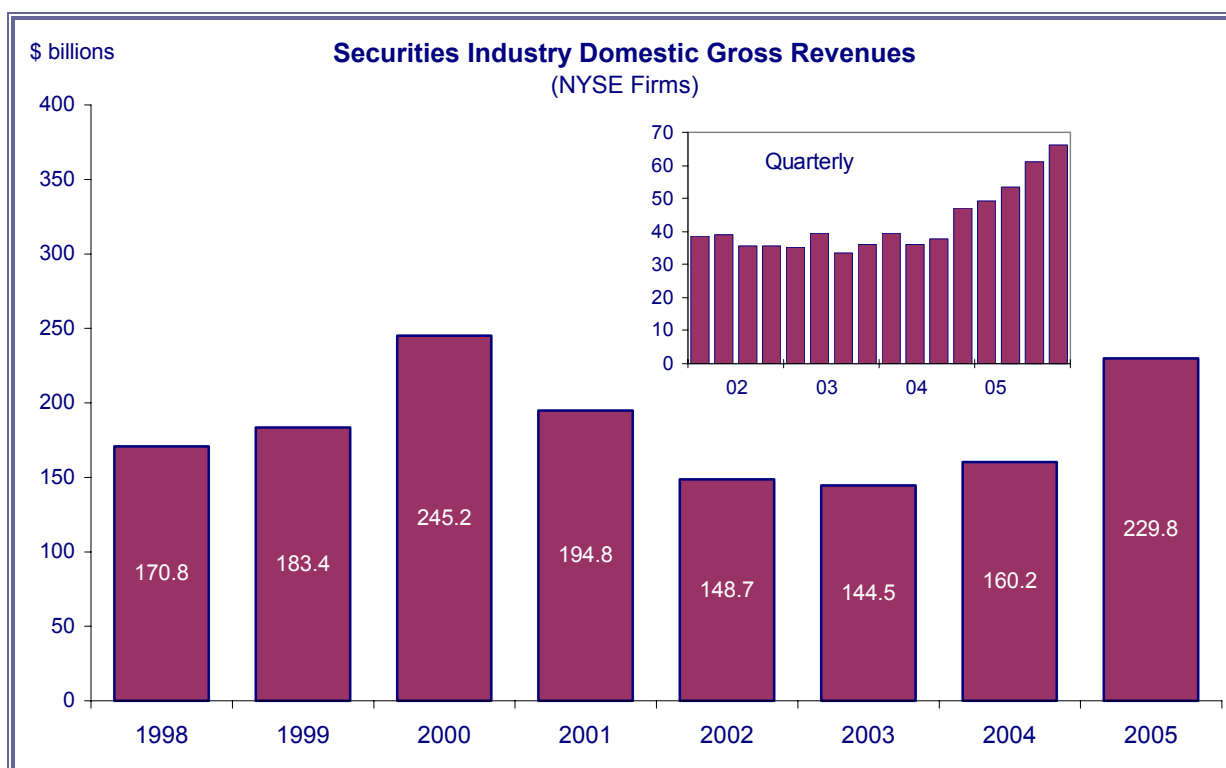
The contraction in profits in 4Q'05 occurred while both quarterly gross revenues and expenses hit record high levels, reflecting the impact of steadily rising interest rates on both sides of the income statement. Total revenues in 4Q'05 of \$66.15 billion were up 8.2% from 3Q'05 and 40.9% above the same year-earlier period. Total expenses of \$63.85 billion were 9.5% above 3Q'05 levels and 51.0% higher than in 4Q'04. Interest expense in 4Q'05 reached \$38.16 billion, up 15.3% from 3Q'05 and more than double (up 112.7%) interest expense in 4Q'04. Interest sensitive revenues, in general, showed similar growth. For 2005 as a whole, gross annual revenues reached \$229.8 billion, up 43.5% from the prior year, while total expenses rose to \$220.4 billion, representing an increase of 50.4% from 2004 levels, and interest expense more than doubled to \$121.1 billion, from \$51.1 billion in 2004.



Source: SIA/NYSE DataBank

Net revenues, or total revenues net of interest expense, provide a better summary gauge of industry performance. Net revenues in 4Q'05 were \$28.0 billion, down 0.2% from 3Q'05 and 3.5% below results in the same year-earlier period. For 2005 as a whole, net revenues were \$108.8 billion, a decline of 0.3% from 2004.





Source: SIA/NYSE DataBank

These lackluster results in FOCUS<sup>1</sup> reports stand in sharp contrast to those contained in the broader 10Q reports filed with the SEC, with the latter including in addition to U.S. broker-dealer activities: commercial banking operations of investment banks; derivative products transactions not conducted at the domestic broker-dealer; non-U.S. operations in general; and, principal investing activities.<sup>2</sup> For example, included as an addendum item on FOCUS reports (but not included in the consolidated income statement) are the figures for the net income (or loss) of the unconsolidated subsidiaries of the reporting member firms. During 4Q'05, the aggregate net income (profits) of these unconsolidated subsidiaries of NYSE-member firms reached \$563 million, up 53.8% from 3Q'05 and nearly double the results achieved by these subsidiaries in the same year-earlier period. For 2005 as a whole, net income from unconsolidated subsidiaries reached \$1.81 billion, up from \$1.06 billion in 2004 and \$551 million in 2001. Another difference is the exclusion in FOCUS of non-U.S. operations which in virtually every product and service line offered by securities firms are growing at a substantially faster pace than the domestic counterpart.

Examining the performance of individual product and service lines presents a varied picture. Commission and fee income in 4Q'05 increased by 1.9% from the immediately preceding quarter, but were down 1.8% from 4Q'04. Continued margin compression in trade execution and the bulk of the growth in transaction volume occurring in non-U.S. securities and markets accounted for this weak performance. For 2005 as a whole, commission and fee income fell to \$25.6 billion, a decline of 2.8% relative to 2004.

<sup>1</sup> Financial and Operation Combined Uniform Single (FOCUS) Reports are required to be filed with the U.S. Securities and Exchange Commission by all registered broker-dealers doing a public business in the U.S. and with their chosen self-regulatory organization (SRO), in this case the NYSE. These reports along with comparable ones from the other principal SRO, the NASD, are aggregated by SIA, and along with results for analytical subgroups of firms are provided to subscribers of the SIA DataBank. Summary results are attached to this report.

<sup>2</sup> For a fuller explanation of these differences see *SIA Research Reports*, Volume VII, No. 1, January 20, 2006, pp. 20-21.



Trading gains declined to \$4.4 billion, a drop of 6.7% from 3Q'05 and 20.1% from 4Q'04. Trading efficiency varied widely from firm to firm, but overall performance for 4Q'05 was not impressive relative to prior periods. Some firms did notably well, boosting trading gains while increasing the value at risk in their trading activities. However, overall, total liabilities for NYSE-member firms declined slightly (0.5%) during 4Q'05, while total net capital rose significantly, up 11.6% to \$74.6 billion from \$66.9 billion in 3Q'05. Gains from credit- and mortgage-related trading were generally weaker, while other trading gains were higher, but still below expectations.

Underwriting revenues of \$4.7 billion in 4Q'05 were 5.5% higher than in the immediately preceding quarter and 3.2% above results in the same year-earlier period. Securities firms entered 4Q'05 with a large deal backlog, raising expectations for an exceptional final three months of the year in investment banking operations. However, the actual number of equity deals that were completed in 4Q'05 was below expectations, and debt underwriting revenues proved disappointing as well. For the year as a whole, underwriting revenue reached \$17.3 billion, an increase of 3.6% over the prior year.

On a more positive note, fund management operations did slightly better than expectations. Asset management fees in 4Q'05 of \$4.03 billion were 5.0% higher than in 3Q'05 and 10.5% above those in 4Q'04. Mutual fund sales revenues, however, were \$1.76 billion, down 1.8% from 3Q'05, but still 1.5% above the same year-earlier period. For 2005 as a whole, asset management fees rose 9.5% and mutual fund sales revenues increased 4.7%.

The industry's high-margin businesses, particularly those that are most interest rate sensitive (such as mergers and acquisition arranging and financing, prime brokerage services, private equity transactions, financial structuring and other corporate financial advisory services) performed extremely well throughout the year.

On the expense side of the ledger, apart from the sharp rise in interest expense, securities firms remained in solid control of costs. Compensation expenses reached \$60.0 billion in 2005, an increase of only 3.6% even though total industry employment rose and accounted for most of that increase. Expenses other than compensation and interest payments also remained under control, increasing 4.7% in 2005.

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TOTAL NYSE Member Firms doing public business INCOME STATEMENT & SELECTED ITEMS \$ Millions										
	QUARTERLY DATA								4Q05 vs 3Q05	4Q05 vs 4Q04
	04:Q1	04:Q2	04:Q3	04:Q4	05:Q1	05:Q2	05:Q3	05:Q4		
<b>REVENUE:</b>										
Commissions	7,622.9	6,332.1	5,691.6	6,693.2	6,475.0	6,119.0	6,446.4	6,571.8	1.9%	-1.8%
- Commissions - Listed Equity on an Exchange	4,014.3	3,369.7	2,993.7	3,559.7	3,446.8	3,306.2	3,475.1	3,364.2	-3.2%	-5.5%
- Commissions - Listed Equity OTC	553.8	481.4	416.9	562.1	487.5	454.4	477.6	531.8	11.3%	-5.4%
- Commissions - Listed Options	361.3	286.5	257.9	309.3	270.1	267.7	293.3	302.9	3.3%	-2.1%
- Commissions - All Other	2,693.5	2,194.5	2,023.1	2,262.1	2,270.6	2,090.7	2,200.4	2,372.9	7.8%	4.9%
Trading Gain (Loss)	5,669.8	3,567.4	2,622.7	5,503.7	4,329.0	3,568.5	4,712.4	4,396.6	-6.7%	-20.1%
- Gain from OTC Market Making	176.7	78.3	70.2	122.4	146.6	90.7	222.4	20.8	-90.6%	-83.0%
- - Gain from OTC Market Making in Listed Equity	-1.3	-1.7	-2.2	-2.4	-3.7	-4.7	-4.5	-4.4	-2.2%	83.3%
- Gain from Debt Trading	4,538.4	2,837.4	4,633.7	3,745.0	4,031.2	2,425.5	2,066.8	1,552.8	-24.9%	-58.5%
- Gain from Listed Options Market Making	-63.5	81.2	-20.6	156.9	-4.4	116.8	85.6	5.3	-93.8%	-96.6%
- Gain from All Other Trading	1,018.2	570.5	-2,060.6	1,479.4	155.6	695.1	2,337.6	2,817.7	20.5%	90.5%
Investment Account Gain (Loss)	377.7	148.7	280.4	849.3	203.0	517.5	631.1	207.8	-67.1%	-75.5%
- Realized Gain	948.8	-640.2	435.7	461.5	471.0	235.7	179.1	332.7	85.8%	-27.9%
- Unrealized Gain	-588.0	785.1	-152.2	369.5	-275.8	52.5	247.4	-202.9	-182.0%	-154.9%
Underwriting Revenue	4,549.9	3,871.2	3,654.1	4,583.7	4,036.7	4,004.8	4,487.4	4,732.3	5.5%	3.2%
- Equity Underwriting Revenue	1,078.4	1,009.7	925.4	1,190.7	992.9	1,005.5	1,037.8	1,099.6	6.0%	-7.7%
Margin Interest	1,191.2	1,327.3	1,556.7	2,070.8	2,286.2	2,647.8	3,041.3	3,296.7	8.4%	59.2%
Mutual Fund Sale Revenue	1,908.2	1,636.9	1,554.6	1,738.8	1,808.5	1,793.2	1,796.8	1,764.5	-1.8%	1.5%
Fees, Asset Management	3,390.2	3,461.9	3,441.0	3,648.5	3,526.8	3,871.6	3,837.9	4,031.7	5.0%	10.5%
Research Revenue	58.7	52.9	54.2	42.0	32.5	45.5	27.8	25.8	-7.2%	-38.6%
Commodities Revenue	215.6	545.3	788.1	-618.7	1,302.1	-295.8	-100.6	146.9	NM	NM
Other Revenue Related to the Securities Business	11,984.2	12,474.0	15,327.9	19,474.3	22,021.8	27,114.7	31,950.3	30,675.4	-4.0%	57.5%
Other Revenue	2,459.0	2,648.8	2,783.0	2,963.5	3,199.0	3,936.2	4,297.6	10,297.5	139.6%	247.5%
<b>TOTAL REVENUE</b>	<b>39,427.4</b>	<b>36,066.5</b>	<b>37,754.3</b>	<b>46,949.1</b>	<b>49,220.6</b>	<b>53,323.1</b>	<b>61,128.4</b>	<b>66,147.0</b>	<b>8.2%</b>	<b>40.9%</b>
Net Revenue	30,052.9	25,824.6	24,226.1	29,009.5	27,103.0	25,627.5	28,040.0	27,987.3	-0.2%	-3.5%
<b>EXPENSES:</b>										
Total Compensation	15,739.6	14,622.6	12,796.0	14,692.9	15,128.5	13,479.9	15,830.9	15,514.1	-2.0%	5.6%
- Registered Representative Compensation	5,846.7	5,619.0	5,017.8	5,818.0	5,916.1	5,483.1	5,942.2	5,814.8	-2.1%	-0.1%
- Clerical Employee Compensation	9,150.5	8,291.4	7,162.5	8,270.0	8,582.1	7,388.5	9,279.5	9,058.3	-2.4%	9.5%
- Voting Officer Compensation	345.3	321.1	270.6	285.4	287.1	283.2	273.5	302.1	10.5%	5.9%
- Other Employee Compensation (FOCUS IIA Only)	397.1	391.1	345.1	319.5	343.2	325.1	335.7	338.9	1.0%	6.1%
Total Floor Costs	1,288.0	1,208.6	1,141.4	1,201.0	1,261.4	1,282.8	1,294.7	1,394.6	7.7%	16.1%
- Floor Brokerage Paid to Brokers	315.9	329.3	328.1	285.0	302.7	330.9	329.0	383.9	16.7%	34.7%
- Commissions & Clearance Paid to Other Brokers	607.7	531.8	487.4	540.2	602.9	595.1	588.9	644.0	9.4%	19.2%
- Clearance Paid to Non-Brokers	192.4	216.3	229.8	238.4	227.3	241.7	250.2	246.7	-1.4%	3.5%
- Commissions Paid to Broker-Dealers (FOCUS IIA Only)	172.0	131.2	96.1	137.4	128.5	115.1	126.6	120.0	-5.2%	-12.7%
Communications Expense	949.7	1,036.0	1,063.8	1,121.4	1,049.8	1,093.7	1,083.3	1,117.0	3.1%	-0.4%
Occupancy & Equipment Costs	1,364.7	1,370.9	1,430.0	1,411.6	1,249.3	1,274.2	1,282.1	1,281.2	-0.1%	-9.2%
Promotional Costs	412.1	418.3	398.2	424.6	370.9	388.0	376.5	376.1	-0.1%	-11.4%
Interest Expense	9,374.5	10,241.9	13,528.2	17,939.6	22,117.6	27,695.6	33,088.4	38,159.7	15.3%	112.7%
Losses from Error Accounts & Bad Debts	70.5	70.0	48.0	86.3	62.9	73.4	54.8	114.4	108.8%	32.6%
Data Processing Costs	602.6	586.2	590.9	642.8	649.6	669.6	641.4	764.2	19.1%	18.9%
Regulatory Fees & Expenses	263.5	290.4	275.9	320.2	252.2	293.2	293.0	355.0	21.2%	10.9%
Non-Recurring Charges	104.4	97.5	184.5	90.8	37.6	88.0	121.6	27.3	-77.5%	-69.9%
Other Expenses	4,179.2	4,390.1	4,100.6	4,347.4	4,426.0	5,244.5	4,267.0	4,746.8	11.2%	9.2%
<b>TOTAL EXPENSES</b>	<b>34,348.8</b>	<b>34,332.5</b>	<b>35,557.5</b>	<b>42,278.6</b>	<b>46,605.8</b>	<b>51,582.9</b>	<b>58,333.7</b>	<b>63,850.4</b>	<b>9.5%</b>	<b>51.0%</b>
<b>PRE-TAX NET INCOME</b>	<b>5,078.6</b>	<b>1,734.0</b>	<b>2,196.8</b>	<b>4,670.5</b>	<b>2,614.8</b>	<b>1,740.2</b>	<b>2,794.7</b>	<b>2,296.6</b>	<b>-17.8%</b>	<b>-50.8%</b>
Federal Income Tax (Tax Benefit)	705.2	-1,357.4	244.8	1,260.0	590.0	114.4	848.0	596.9	-29.6%	-52.6%
Income (Loss) from Unconsolidated Subsidiaries	229.0	351.5	196.6	286.7	401.0	482.1	366.0	562.9	53.8%	96.3%
Extraordinary Gain (Loss)	0.0	-7,520.7	0.0	-0.4	-535.3	-209.3	107.7	-0.1	-100.1%	-75.0%
Cumulative Effect of Accounting Changes	0.0	0.0	0.0	0.0	5.6	0.0	0.0	32.4	NM	NM
<b>NET INCOME</b>	<b>4,602.4</b>	<b>-4,077.7</b>	<b>2,148.6</b>	<b>3,696.8</b>	<b>1,866.8</b>	<b>1,898.6</b>	<b>2,420.4</b>	<b>2,294.9</b>	<b>-5.2%</b>	<b>-37.9%</b>
<b>TOTAL ASSETS</b>	<b>3,413,461.4</b>	<b>3,628,434.1</b>	<b>3,681,450.2</b>	<b>3,841,155.7</b>	<b>4,036,634.2</b>	<b>4,167,419.7</b>	<b>4,228,906.9</b>	<b>4,211,633.2</b>	<b>-0.4%</b>	<b>9.6%</b>
<b>TOTAL LIABILITIES</b>	<b>3,320,762.0</b>	<b>3,535,377.5</b>	<b>3,585,950.5</b>	<b>3,745,006.8</b>	<b>3,941,098.1</b>	<b>4,071,449.1</b>	<b>4,131,891.5</b>	<b>4,110,979.4</b>	<b>-0.5%</b>	<b>9.8%</b>
<b>TOTAL OWNERSHIP EQUITY</b>	<b>92,699.4</b>	<b>93,056.5</b>	<b>95,499.7</b>	<b>96,148.9</b>	<b>95,536.1</b>	<b>95,970.6</b>	<b>97,015.4</b>	<b>100,653.8</b>	<b>3.8%</b>	<b>4.7%</b>
<b>TOTAL NET CAPITAL</b>	<b>55,344.1</b>	<b>57,261.4</b>	<b>60,264.4</b>	<b>61,201.0</b>	<b>62,878.3</b>	<b>68,177.7</b>	<b>66,891.1</b>	<b>74,619.6</b>	<b>11.6%</b>	<b>21.9%</b>
<b>NUMBER OF FIRMS IN CATEGORY</b>	<b>236</b>	<b>232</b>	<b>232</b>	<b>229</b>	<b>227</b>	<b>225</b>	<b>219</b>	<b>217</b>	<b>-0.9%</b>	<b>-5.2%</b>
<b>PERSONNEL - INCOME PRODUCING</b>	<b>134,114</b>	<b>135,328</b>	<b>137,642</b>	<b>139,118</b>	<b>131,177</b>	<b>131,557</b>	<b>131,051</b>	<b>131,119</b>	<b>0.1%</b>	<b>-5.7%</b>
<b>PERSONNEL - ALL OTHER</b>	<b>156,684</b>	<b>160,622</b>	<b>161,377</b>	<b>160,935</b>	<b>154,063</b>	<b>157,617</b>	<b>156,633</b>	<b>155,359</b>	<b>-0.8%</b>	<b>-3.5%</b>
<b>PERSONNEL - TOTAL</b>	<b>290,798</b>	<b>295,950</b>	<b>299,019</b>	<b>300,053</b>	<b>285,240</b>	<b>289,174</b>	<b>287,684</b>	<b>286,478</b>	<b>-0.4%</b>	<b>-4.5%</b>

Source: SIA/NYSE DataBank

TOTAL NYSE Member Firms doing public business INCOME STATEMENT & SELECTED ITEMS \$ Millions							
	ANNUAL DATA						
	2001	2002	2003	2004	2005	05 vs 04	04 vs 03
<b>REVENUE:</b>							
Commissions	26,825.2	27,569.4	25,661.4	26,339.8	25,612.2	-2.8%	2.6%
- Commissions - Listed Equity on an Exchange	16,992.7	16,705.8	14,426.0	13,937.4	13,592.3	-2.5%	-3.4%
- Commissions - Listed Equity OTC	993.5	1,562.5	1,642.1	2,014.2	1,951.3	-3.1%	22.7%
- Commissions - Listed Options	1,790.6	1,332.3	1,270.6	1,215.0	1,134.0	-6.7%	-4.4%
- Commissions - All Other	7,048.4	7,968.8	8,322.7	9,173.2	8,934.6	-2.6%	10.2%
Trading Gain (Loss)	24,914.1	13,650.4	23,136.5	17,363.6	17,006.5	-2.1%	-25.0%
- Gain from OTC Market Making	3,654.7	1,179.0	742.6	447.6	480.5	7.4%	-39.7%
-- Gain from OTC Market Making in Listed Equity	-6.9	11.6	-14.8	-7.6	-17.3	127.6%	NM
- Gain from Debt Trading	16,909.4	14,193.3	17,522.1	15,754.5	10,076.3	-36.0%	-10.1%
- Gain from Listed Options Market Making	42.8	-225.7	-170.0	154.0	203.3	32.0%	NM
- Gain from All Other Trading	4,307.2	-1,496.2	5,041.8	1,007.5	6,006.0	496.1%	-80.0%
Investment Account Gain (Loss)	297.5	174.2	2,115.7	1,656.1	1,559.4	-5.8%	-21.7%
- Realized Gain	334.5	417.1	480.7	1,205.8	1,218.5	1.1%	150.8%
- Unrealized Gain	-109.6	-218.6	1,574.2	414.4	-178.8	-143.1%	-73.7%
Underwriting Revenue	15,630.9	13,178.5	15,090.0	16,658.9	17,261.2	3.6%	10.4%
- Equity Underwriting Revenue	3,921.0	3,226.5	3,697.8	4,204.2	4,135.8	-1.6%	13.7%
Margin Interest	12,843.7	5,992.2	4,776.9	6,146.0	11,272.0	83.4%	28.7%
Mutual Fund Sale Revenue	6,329.0	5,882.5	6,064.9	6,838.5	7,163.0	4.7%	12.8%
Fees, Asset Management	13,196.6	12,485.0	11,761.6	13,941.6	15,268.0	9.5%	18.5%
Research Revenue	183.6	156.4	170.0	207.8	131.6	-36.7%	22.2%
Commodities Revenue	4,907.6	4,957.4	-1,902.4	930.3	1,052.6	13.1%	NM
Other Revenue Related to the Securities Business	79,714.8	55,338.0	47,898.3	59,260.4	111,762.2	88.6%	23.7%
Other Revenue	9,923.2	9,290.2	9,743.1	10,854.3	21,730.3	100.2%	11.4%
<b>TOTAL REVENUE</b>	<b>194,766.2</b>	<b>148,674.2</b>	<b>144,516.0</b>	<b>160,197.3</b>	<b>229,819.1</b>	<b>43.5%</b>	<b>10.9%</b>
Net Revenue	113,164.6	100,234.4	106,331.6	109,113.1	108,757.8	-0.3%	2.6%
<b>EXPENSES:</b>							
Total Compensation	60,605.6	53,095.3	54,125.0	57,851.1	59,953.4	3.6%	6.9%
- Registered Representative Compensation	23,731.5	21,210.6	21,588.5	22,301.5	23,156.2	3.8%	3.3%
- Clerical Employee Compensation	32,491.6	28,484.2	29,107.1	32,874.4	34,308.4	4.4%	12.9%
- Voting Officer Compensation	2,598.4	1,820.0	1,925.7	1,222.4	1,145.9	-6.3%	-36.5%
- Other Employee Compensation (FOCUS IIA Only)	1,784.1	1,580.5	1,503.7	1,452.8	1,342.9	-7.6%	-3.4%
Total Floor Costs	4,361.0	4,505.3	4,962.9	4,839.0	5,233.5	8.2%	-2.5%
- Floor Brokerage Paid to Brokers	1,279.6	1,252.2	1,119.4	1,258.3	1,346.5	7.0%	12.4%
- Commissions & Clearance Paid to Other Brokers	1,815.6	1,955.1	2,514.0	2,167.1	2,430.9	12.2%	-13.8%
- Clearance Paid to Non-Brokers	853.3	911.7	849.9	876.9	965.9	10.1%	3.2%
- Commissions Paid to Broker-Dealers (FOCUS IIA Or	412.5	386.3	479.6	536.7	490.2	-8.7%	11.9%
Communications Expense	5,330.4	4,499.0	3,952.7	4,170.9	4,343.8	4.1%	5.5%
Occupancy & Equipment Costs	7,561.6	6,444.6	6,028.8	5,577.2	5,086.8	-8.8%	-7.5%
Promotional Costs	2,381.8	1,849.1	1,499.4	1,653.2	1,511.5	-8.6%	10.3%
Interest Expense	81,601.6	48,439.8	38,184.4	51,084.2	121,061.3	137.0%	33.8%
Losses from Error Accounts & Bad Debts	630.3	468.0	305.4	274.8	305.5	11.2%	-10.0%
Data Processing Costs	2,816.7	2,459.1	2,312.8	2,422.5	2,724.8	12.5%	4.7%
Regulatory Fees & Expenses	976.2	905.7	979.6	1,150.0	1,193.4	3.8%	17.4%
Non-Recurring Charges	146.5	715.9	252.4	477.2	274.5	-42.5%	89.1%
Other Expenses	17,943.5	18,373.5	15,163.0	17,017.3	18,684.3	9.8%	12.2%
<b>TOTAL EXPENSES</b>	<b>184,355.2</b>	<b>141,755.3</b>	<b>127,766.4</b>	<b>146,517.4</b>	<b>220,372.8</b>	<b>50.4%</b>	<b>14.7%</b>
<b>PRE-TAX NET INCOME</b>	<b>10,411.0</b>	<b>6,918.9</b>	<b>16,749.6</b>	<b>13,679.9</b>	<b>9,446.3</b>	<b>-30.9%</b>	<b>-18.3%</b>
Federal Income Tax (Tax Benefit)	2,488.6	1,653.3	4,578.5	852.6	2,149.3	152.1%	-81.4%
Income (Loss) from Unconsolidated Subsidiaries	550.8	1,093.5	895.9	1,063.8	1,812.0	70.3%	18.7%
Extraordinary Gain (Loss)	-140.2	-5.2	-30.6	-7,521.1	-637.0	-91.5%	NM
Cumulative Effect of Accounting Changes	0.0	-1,914.2	0.0	0.0	38.0	NM	NM
<b>NET INCOME</b>	<b>8,333.0</b>	<b>4,439.7</b>	<b>13,036.4</b>	<b>6,370.1</b>	<b>8,480.7</b>	<b>33.1%</b>	<b>-51.1%</b>
<b>TOTAL ASSETS</b>	<b>2,715,058.7</b>	<b>2,647,372.4</b>	<b>3,174,801.0</b>	<b>3,841,155.7</b>	<b>4,211,633.2</b>	<b>9.6%</b>	<b>21.0%</b>
<b>TOTAL LIABILITIES</b>	<b>2,627,995.9</b>	<b>2,564,373.4</b>	<b>3,084,881.8</b>	<b>3,745,006.8</b>	<b>4,110,979.4</b>	<b>9.8%</b>	<b>21.4%</b>
<b>TOTAL OWNERSHIP EQUITY</b>	<b>87,062.8</b>	<b>82,999.0</b>	<b>89,919.2</b>	<b>96,148.9</b>	<b>100,653.8</b>	<b>4.7%</b>	<b>6.9%</b>
<b>TOTAL NET CAPITAL</b>	<b>57,443.8</b>	<b>57,039.9</b>	<b>57,711.8</b>	<b>61,201.0</b>	<b>74,619.6</b>	<b>21.9%</b>	<b>6.0%</b>
<b>NUMBER OF FIRMS IN CATEGORY</b>	<b>261</b>	<b>240</b>	<b>234</b>	<b>229</b>	<b>217</b>	<b>-5.2%</b>	<b>-2.1%</b>
<b>PERSONNEL - INCOME PRODUCING</b>	<b>156,810.0</b>	<b>143,004.0</b>	<b>134,550.0</b>	<b>139,118.0</b>	<b>131,119.0</b>	<b>-5.7%</b>	<b>3.4%</b>
<b>PERSONNEL - ALL OTHER</b>	<b>189,411.0</b>	<b>172,259.0</b>	<b>159,439.0</b>	<b>160,935.0</b>	<b>155,359.0</b>	<b>-3.5%</b>	<b>0.9%</b>
<b>PERSONNEL - TOTAL</b>	<b>346,221.0</b>	<b>315,263.0</b>	<b>293,989.0</b>	<b>300,053.0</b>	<b>286,478.0</b>	<b>-4.5%</b>	<b>2.1%</b>

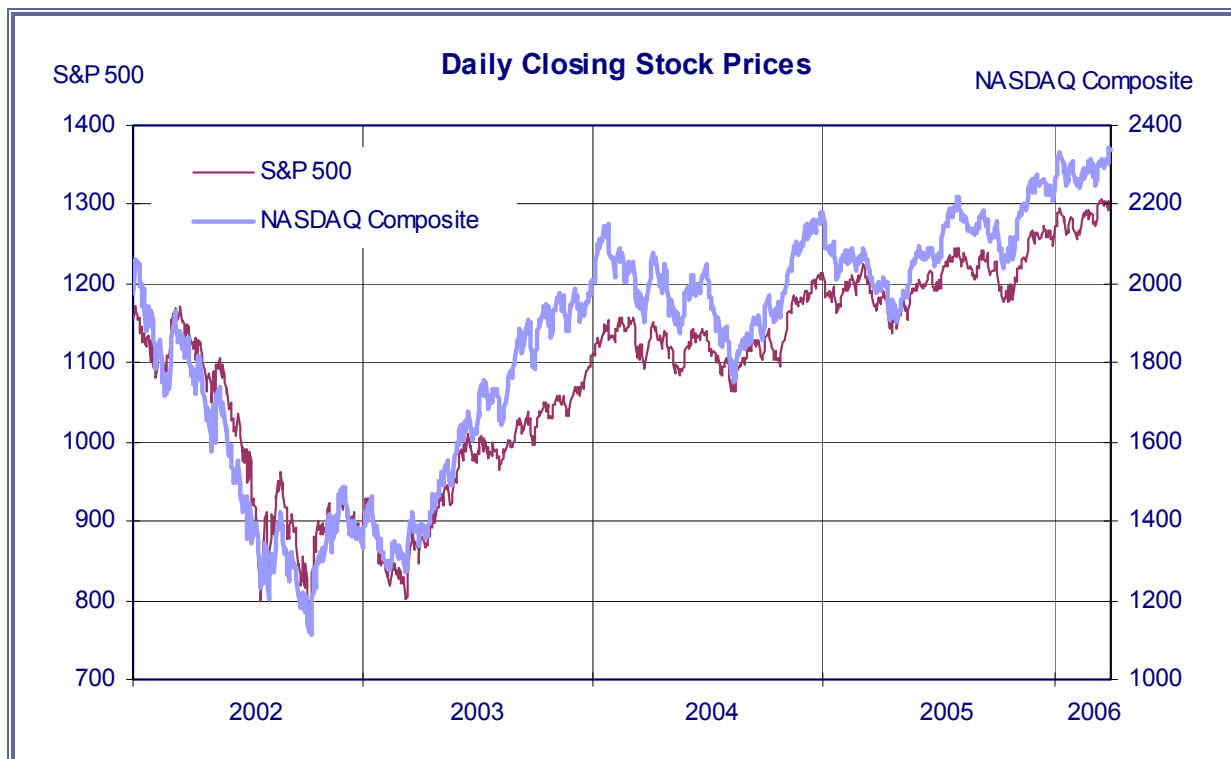
Source: SIA/NYSE DataBank

## MONTHLY STATISTICAL REVIEW AND FIRST QUARTER WRAP-UP

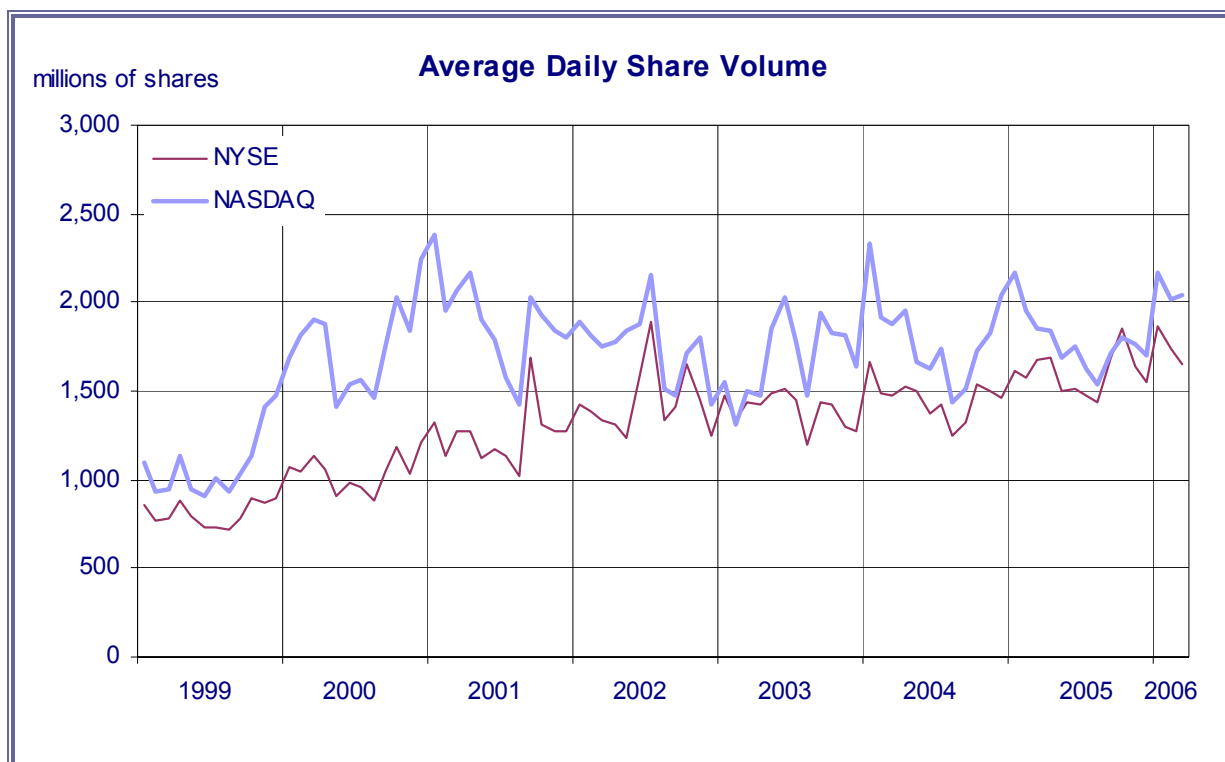
### U.S. Equity Market Activity

**Stock Prices** – The U.S. stock markets had a strong first quarter in 2006 following a decent final quarter in 2005. All three major indices rose in March and in the first quarter over all, with the NASDAQ Composite leading the pack. The Dow Jones Industrial Average and S&P 500 both rose 1.1% in March to reach 11,109.32 and 1,294.83, respectively, while the NASDAQ was up 2.6%, hitting 2,339.79. The DJIA reached its highest month-end close since August 2000, and the NASDAQ and S&P 500 reached their highest month-end closes since January 2001.

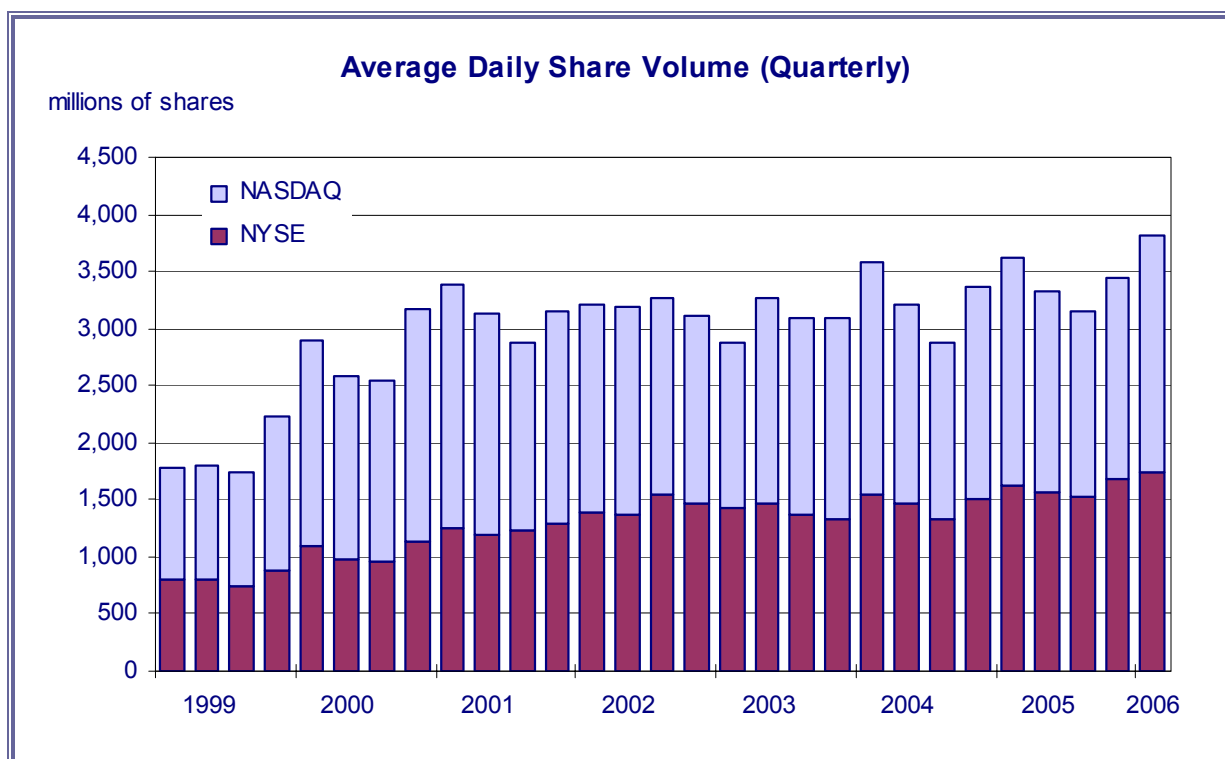
For the first three months of this year, the DJIA and S&P were both up 3.7% over the previous quarter, and were, respectively, 5.8% and 9.7% above their same year-earlier periods. For the quarter as a whole, the NASDAQ rose 6.1% over the final quarter of 2005 and 17.0% over last year's first quarter level.



**Share Volume** – Average daily volume on the New York Stock Exchange continued to subside after a very strong January and weaker February, falling 4.6% during March to 1.66 billion shares. For the quarter, however, average daily share volume reached a record 1.75 billion, up 4.1% from fourth quarter 2005 levels and 7.4% above the volume level attained at the end of the same year-earlier period.

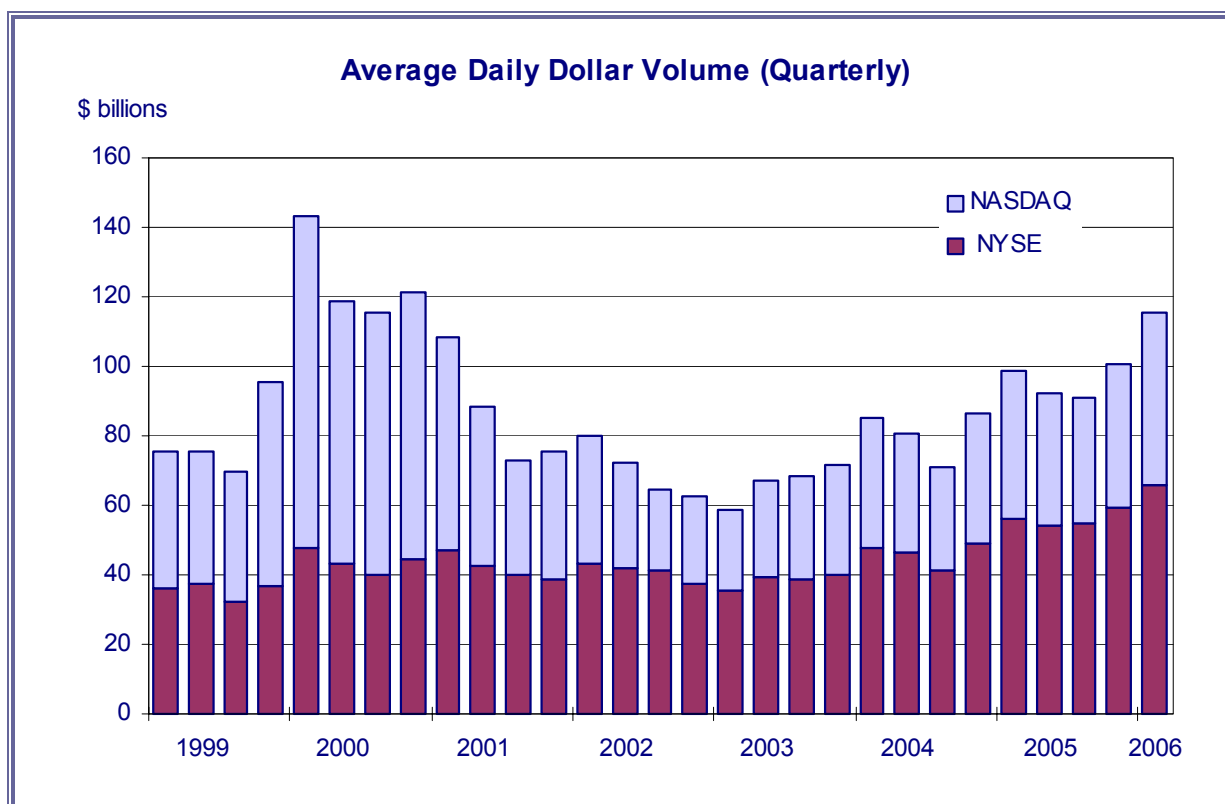
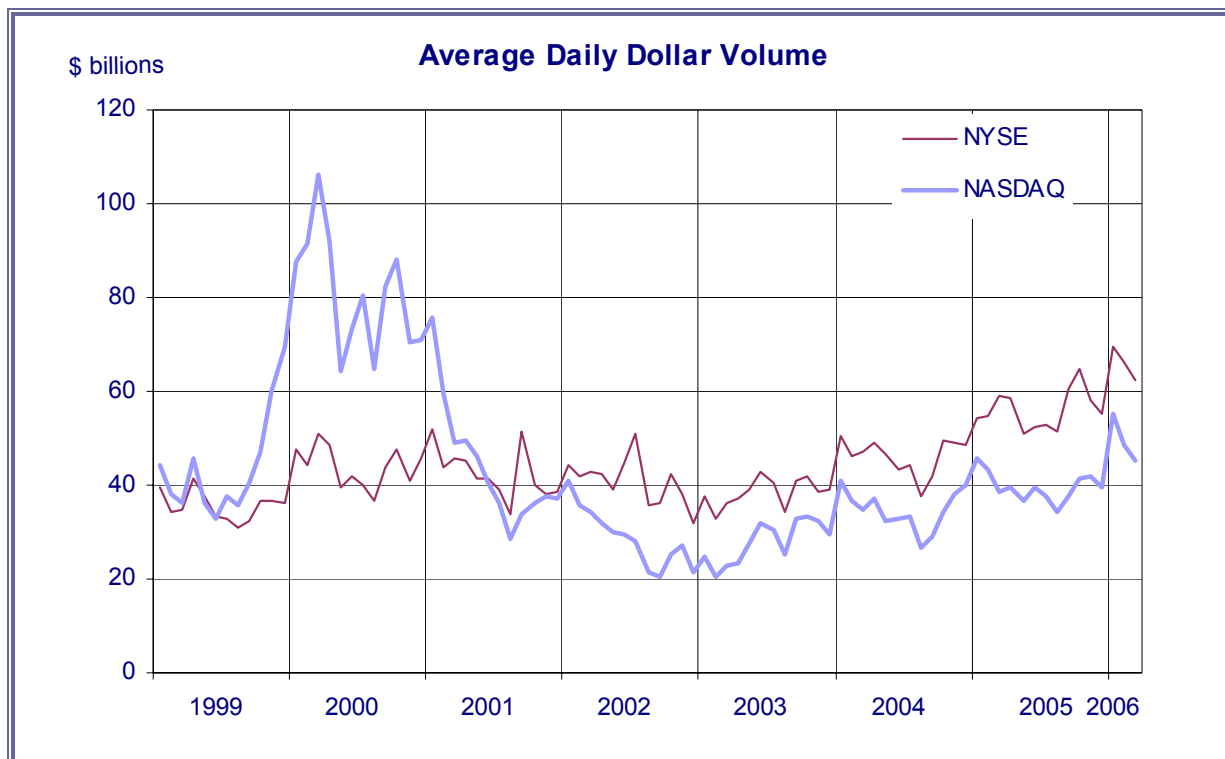


NASDAQ share volume was also down from its January level in March, but rebounded slightly from a weaker February, rising 1.2% during the month. For the quarter overall, NASDAQ daily volume averaged 2.07 billion shares, 18.1% above 4Q'05 and 4.4% over the same year-earlier period. This level exceeds the recent high reached in the first quarter of 2004 and is the highest recorded since January 2001.

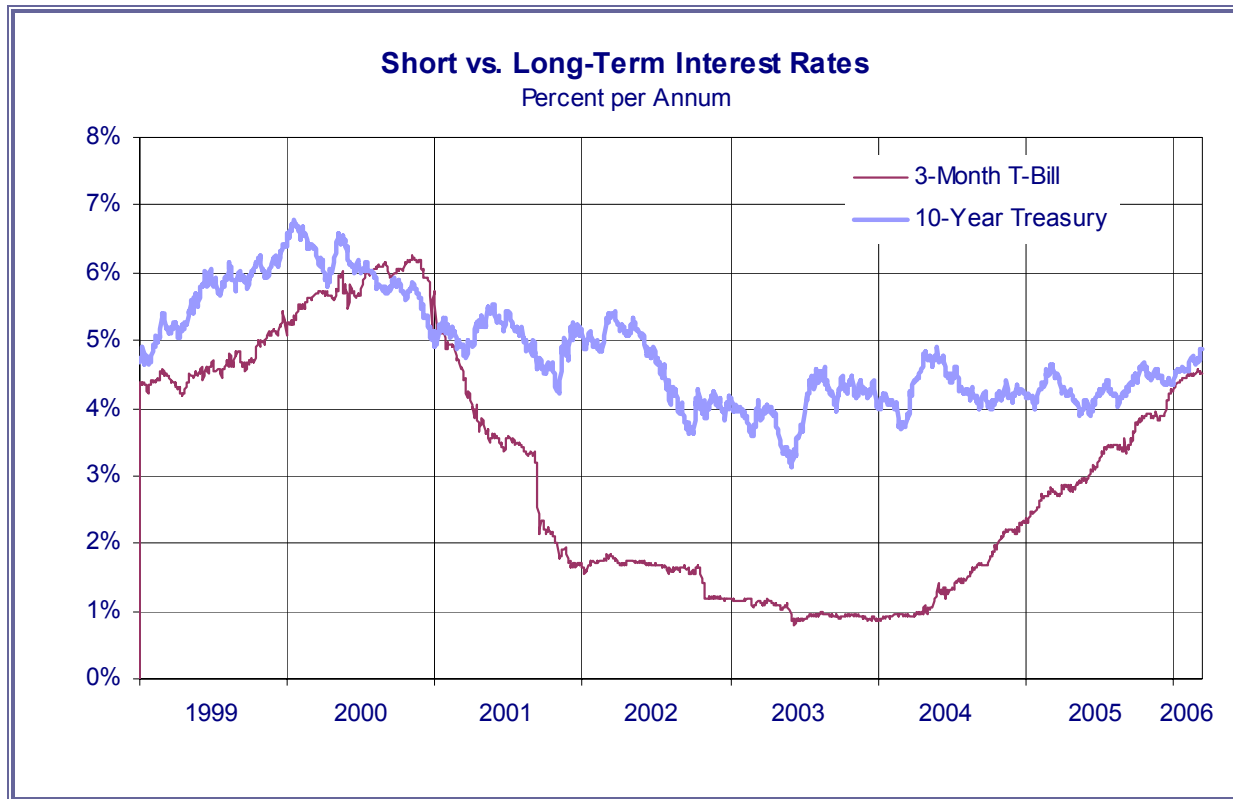




**Dollar Volume** – Dollar volume followed the same pattern as share volume, with NYSE and NASDAQ average daily dollar volume rising strongly in January and then falling in February and March. March daily volume averaged \$62.3 billion on the NYSE and \$45.3 billion on the NASDAQ, down 5.7% and 7.1% on the month, respectively. For the first quarter as a whole, however, NYSE average daily dollar volume reached \$65.7 billion, 10.7% ahead of 4Q'05 and 17.3% above 1Q'05. NASDAQ daily dollar volume averaged \$49.5 billion in 1Q'06, 20.7% above the final quarter of 2005 and 16.9% ahead of the same year-earlier period.



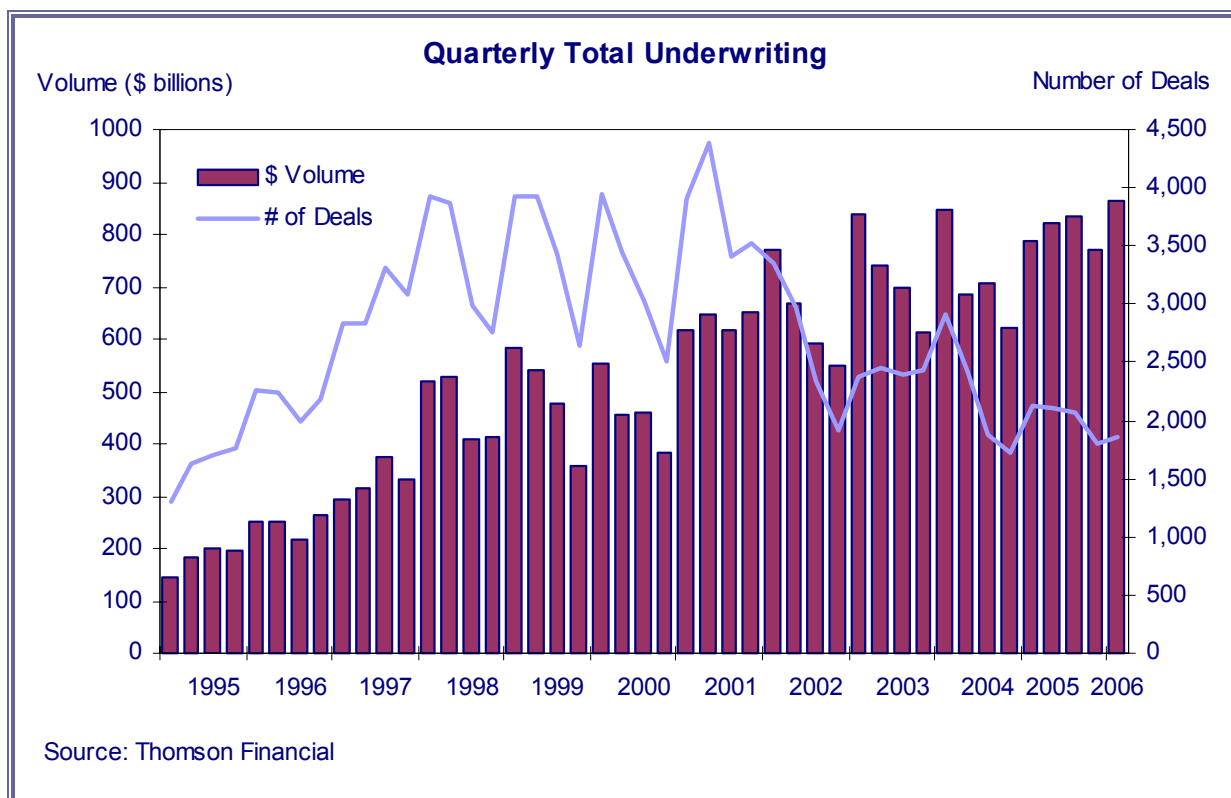
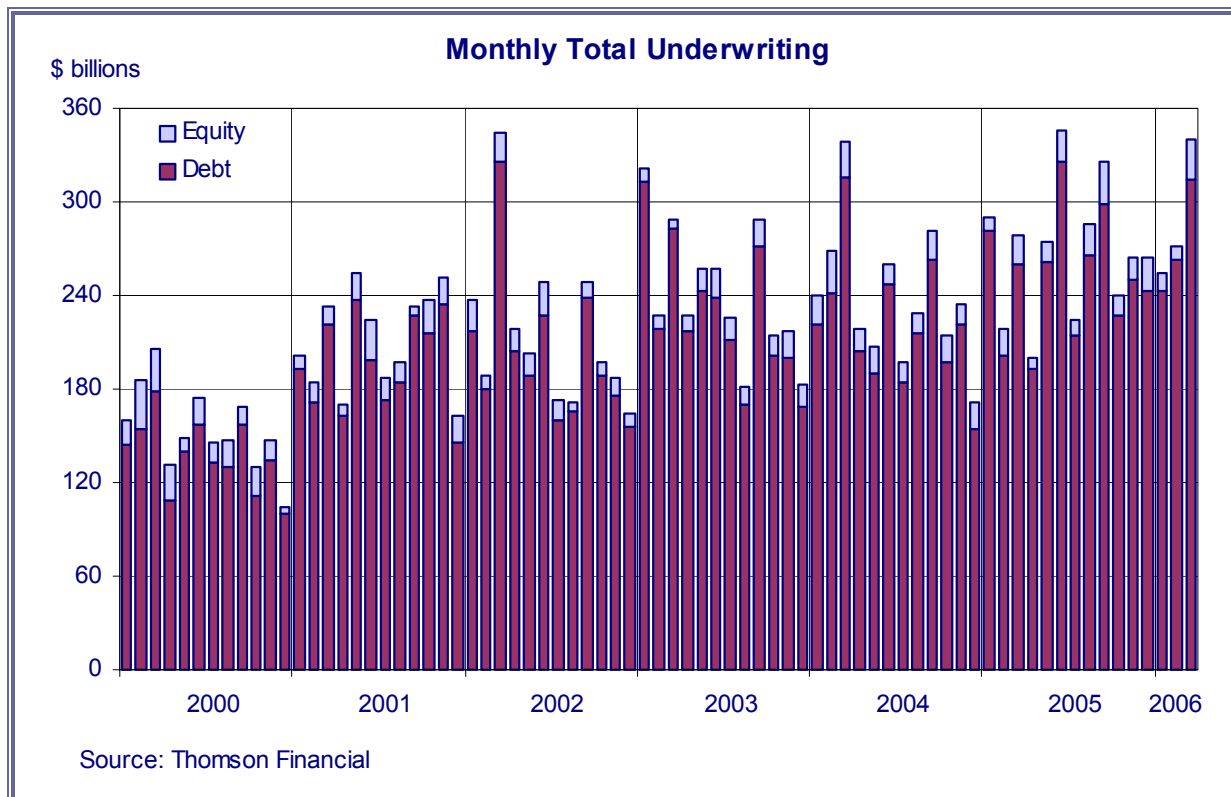
**Interest Rates** – Long-term interest rates rose for the third consecutive month in March, with the 10-year Treasury yield rising to 4.72% on average from 4.57% in February and 4.42% in January. Short-term rates also continued their multi-year rise, with the yield on three-month Treasury bills averaging 4.51% in March, up from 4.43% in February and 4.24% in January. The yield spread between three-month and 10-year Treasuries widened slightly to an average of 21 basis points in March from 14 basis points in February, compared with 176 basis points at the end of March a year ago. Interest rates are expected to continue to rise, with at least one more quarter-point increase in the Federal Funds anticipated at May's Federal Open Market Committee meeting.



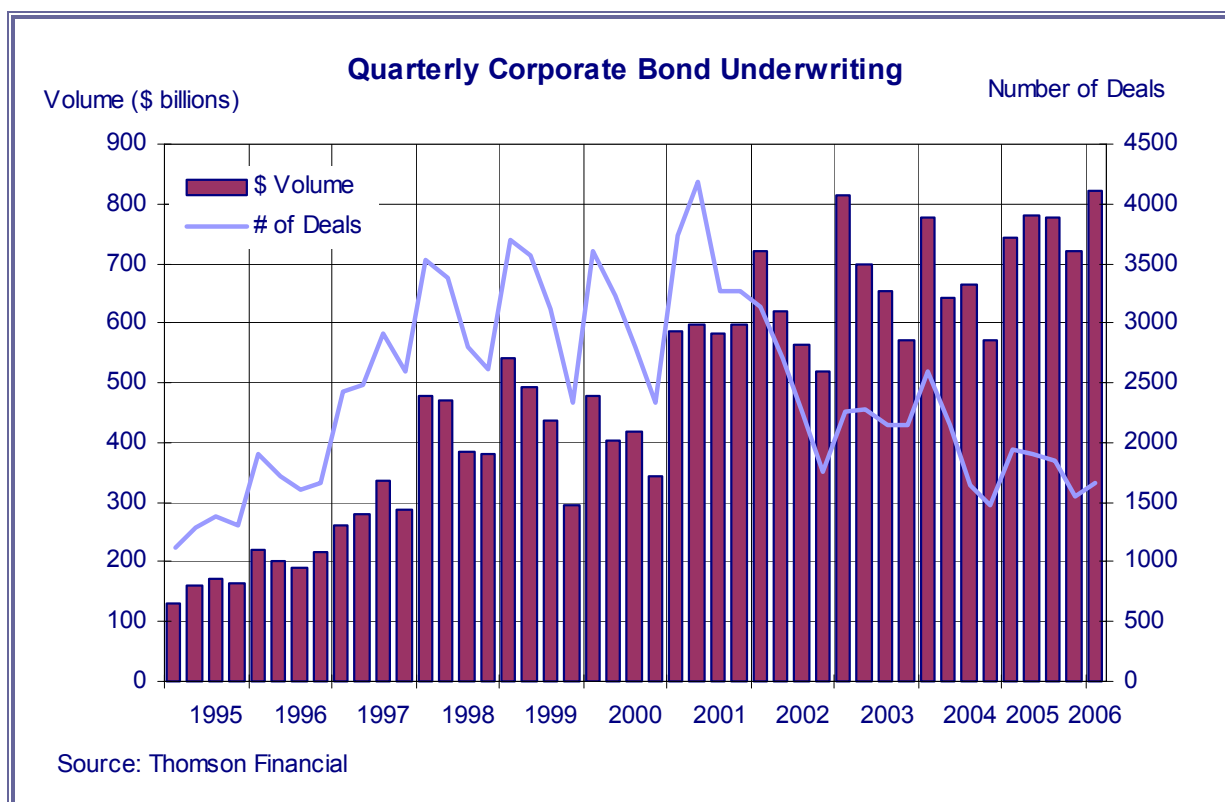
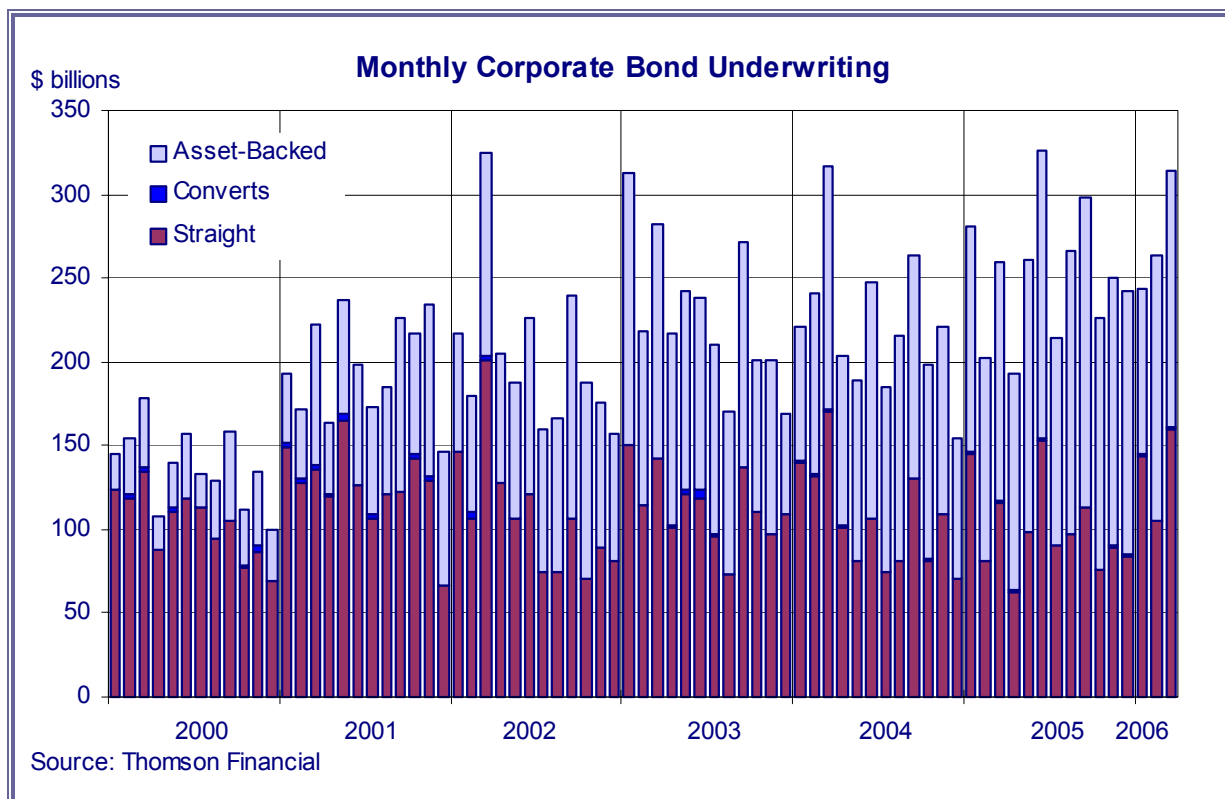


## U.S. Underwriting Activity

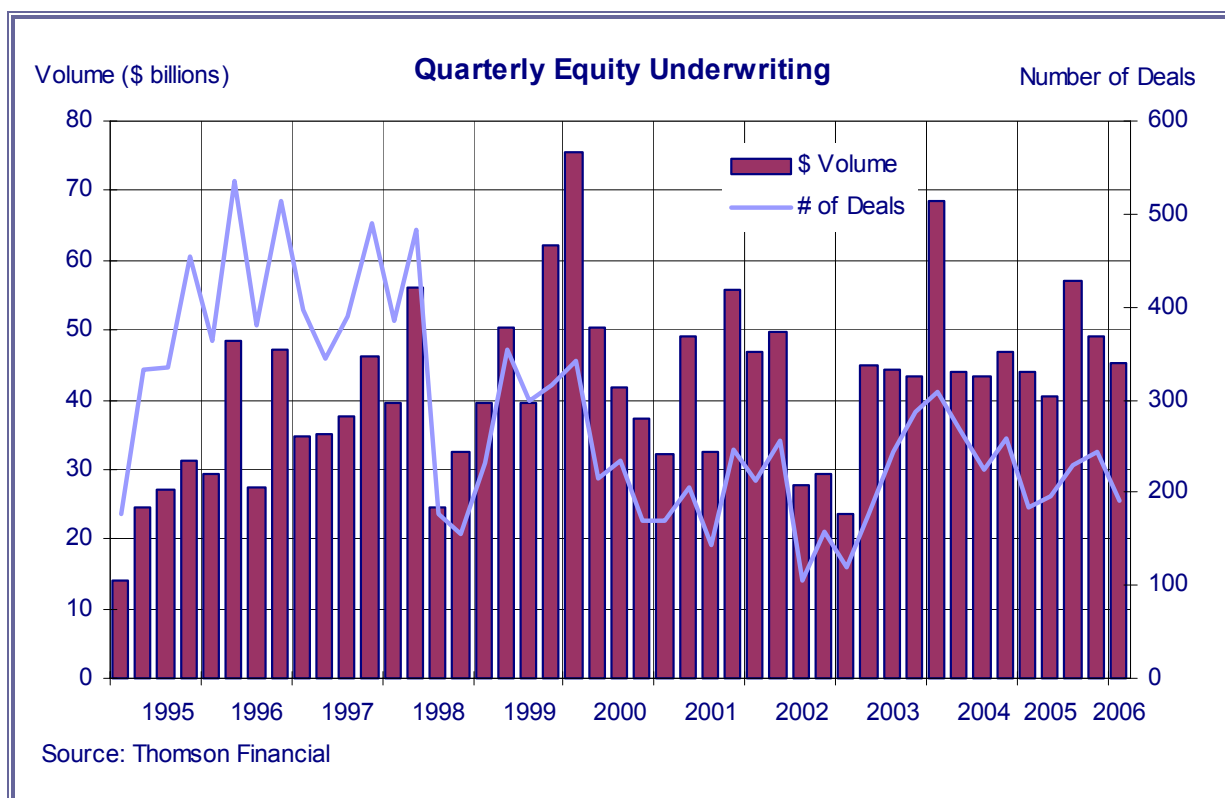
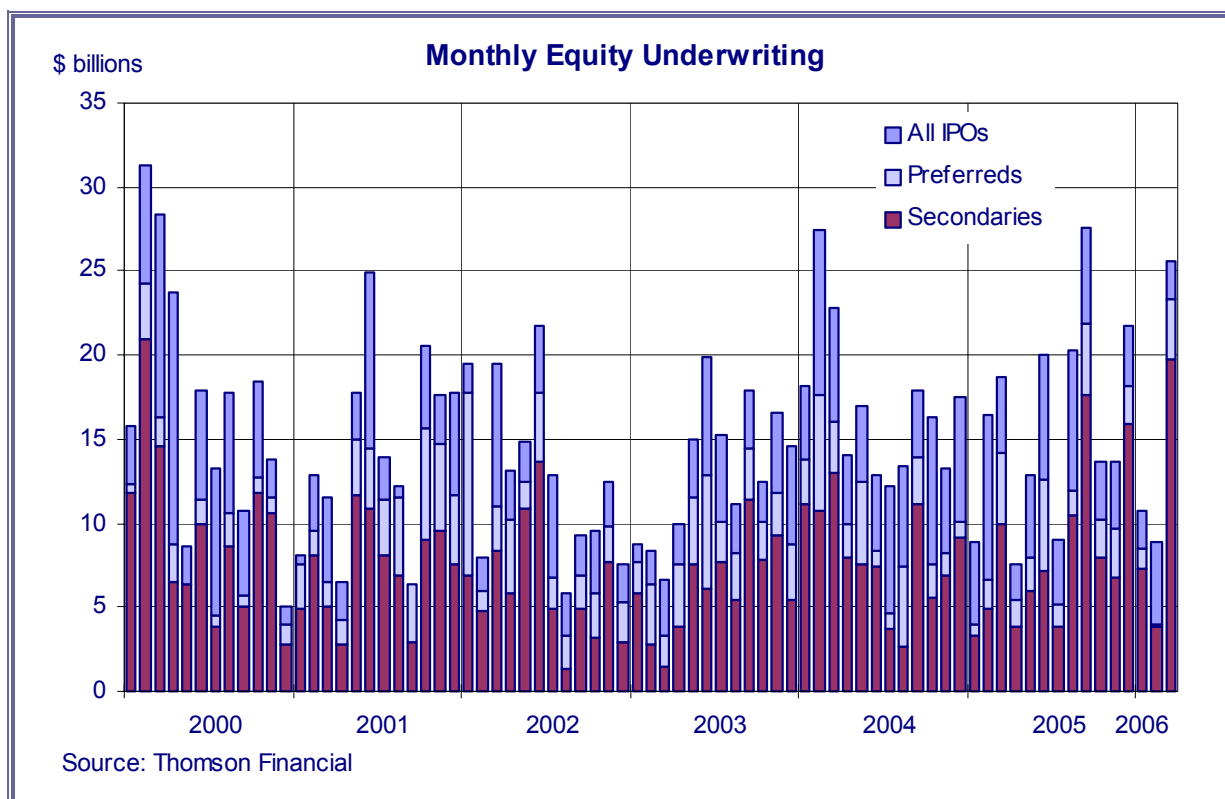
Total underwriting activity in the U.S. markets surged 24.9% in March to \$339.4 billion, reflecting increased debt and equity issuance. For the first quarter as a whole, underwriting activity totaled a record \$865.3 billion, up 12.6% from \$768.8 billion in the previous quarter and 10.0% above the same year-earlier period.



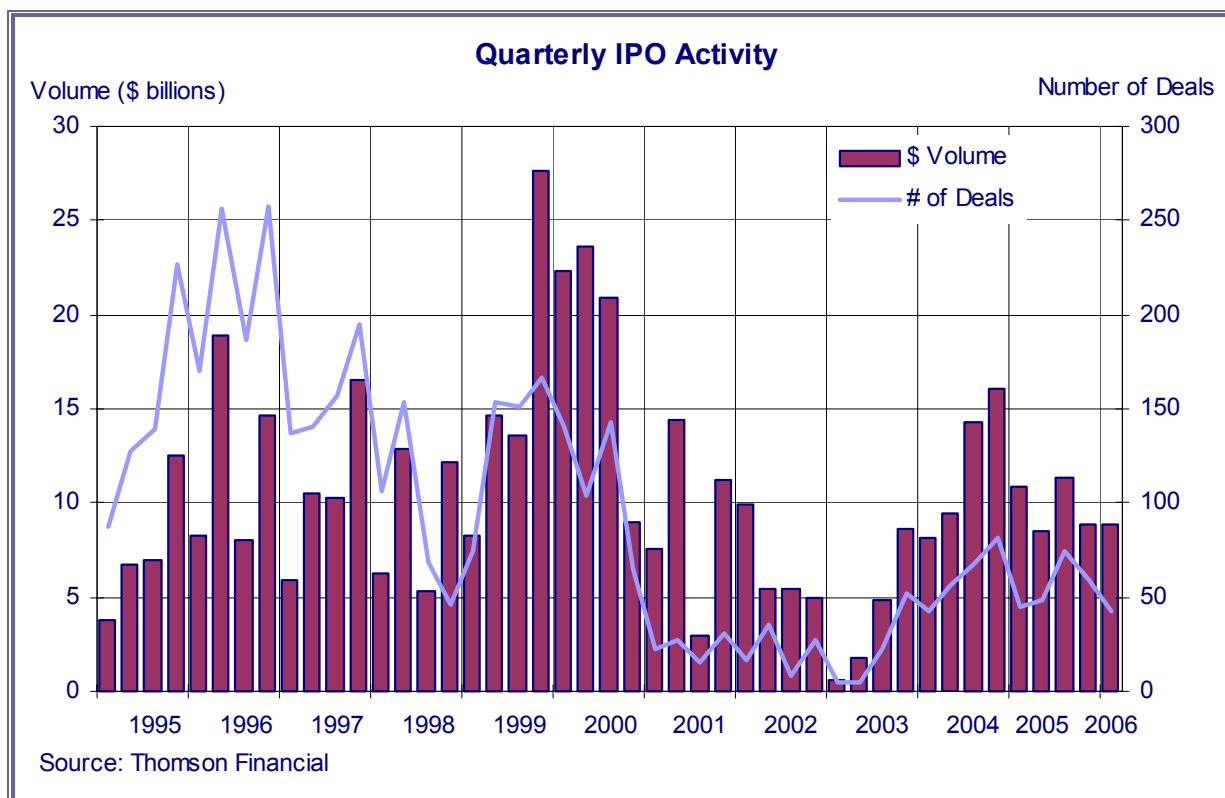
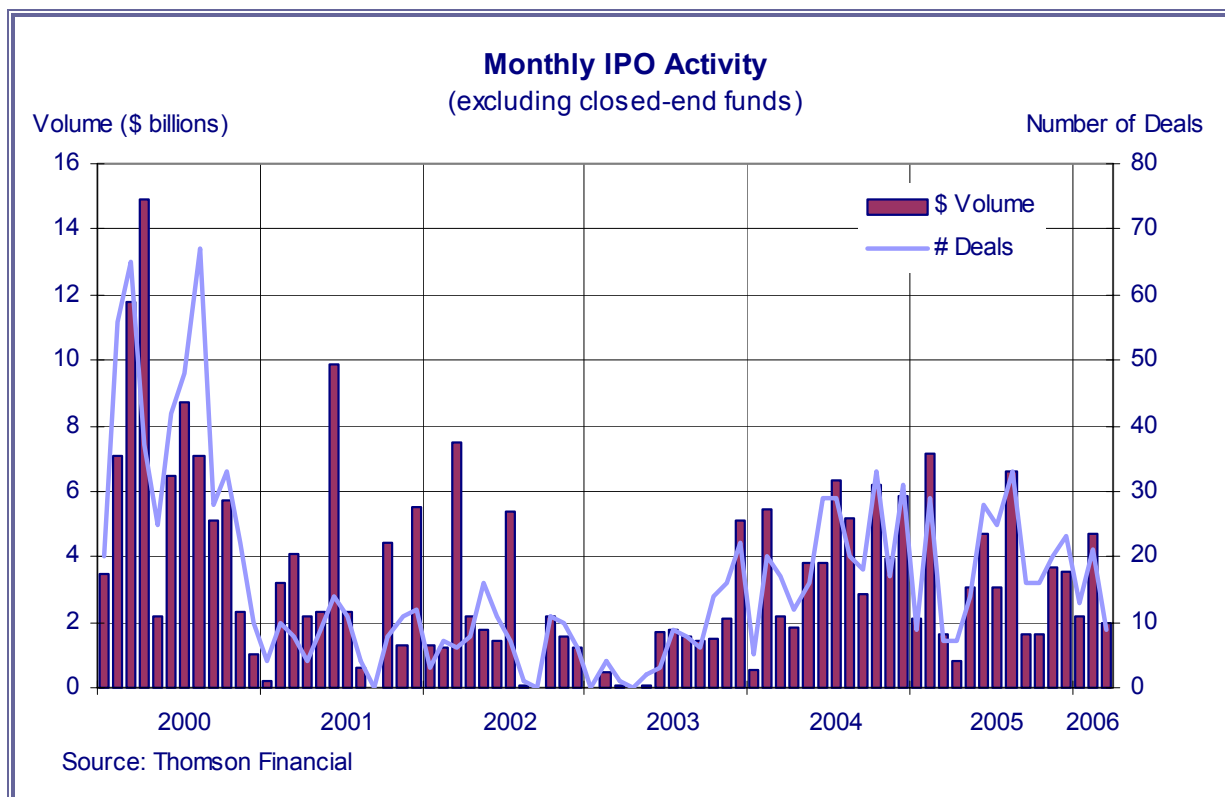
**Corporate Bond Underwriting** – Although interest rates continued to rise, corporate bond issuance grew. Total new issuance rose 19.4% for the month, with straight bonds leading the way with a greater than 50% increase. For the quarter, straight debt issuance rose 64.6% while asset-backed offerings fell 12.8% from the last quarter. Both straight debt and asset-backed, however, registered positive growth over the same year-earlier period.



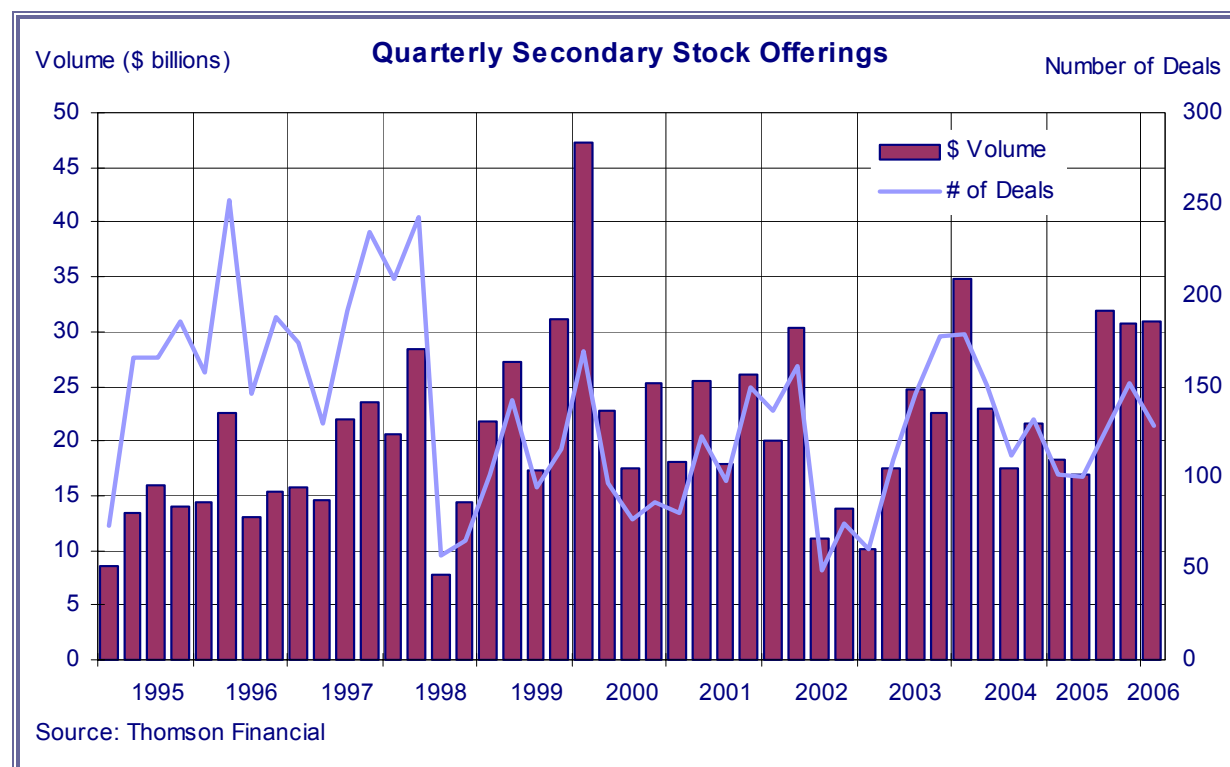
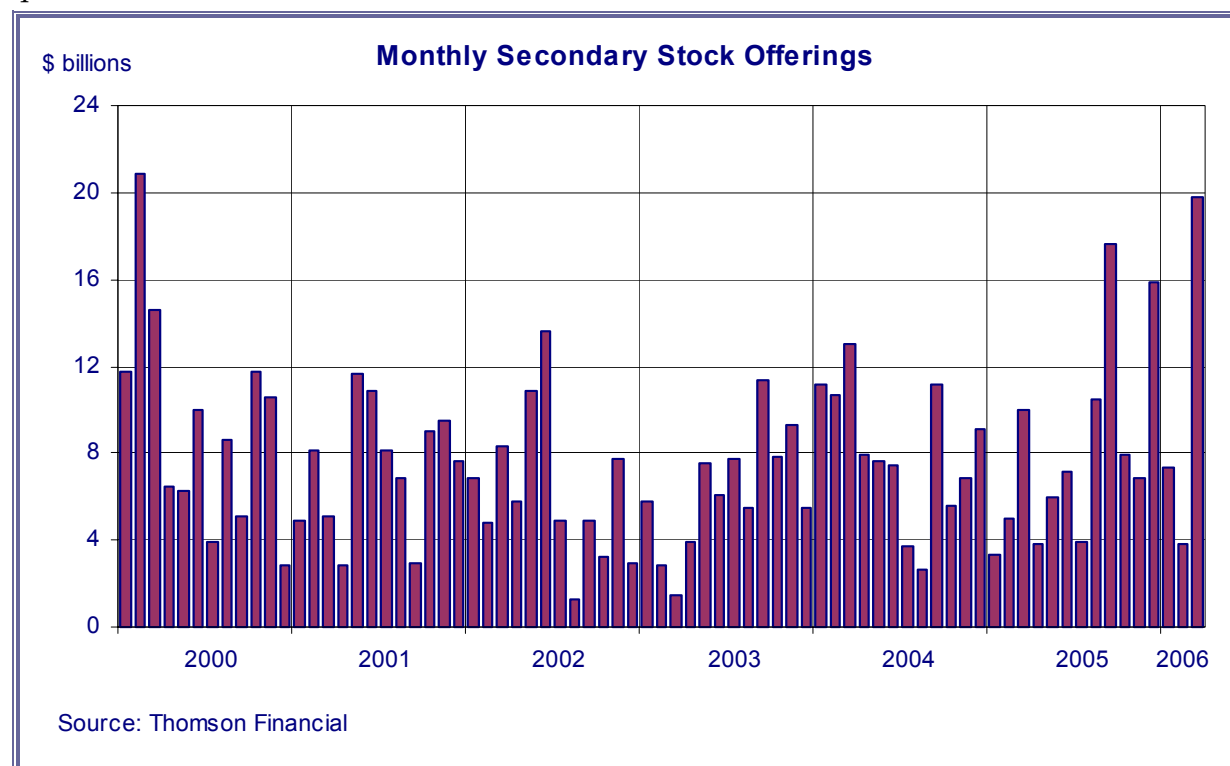
**Equity Underwriting** – Overall issuance volume of common and preferred stock rose strongly in March, reaching \$25.6 billion, after weak results in January (\$10.8 billion) and February (\$8.9 billion). For the quarter as a whole, total equity issuance fell 7.5% from the previous quarter, while rising 3.0% over the same year-earlier period.



**Initial Public Offerings (IPOs)** – U.S. IPO activity waned in March, falling nearly 58% to \$2.0 billion, after rising in February to reach \$4.7 billion following a weak January (\$2.2 billion). For the quarter on a whole, IPO volume totaled \$8.9 billion, unchanged from 4Q'05 and down 17.9% from the same year-earlier period.



**Secondary offerings of common stock** – U.S. secondary offerings rose strongly in March to reach \$19.8 billion, up more than fivefold over February's level. Despite the strong monthly showing, total volume for the quarter of \$30.9 billion was essentially unchanged from the previous quarter's \$30.7 billion, although up considerably from the \$18.3 billion recorded in the first quarter of 2005.



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

## U.S. CORPORATE UNDERWRITING ACTIVITY

(In \$ Billions)

	Straight Corporate Debt	Con- vertible Debt	Asset- Backed Debt	<b>TOTAL DEBT</b>	Common Stock	Preferred Stock	<b>TOTAL EQUITY</b>	All IPOs	"True" IPOs	Secondaries	<b>TOTAL UNDER- WRITINGS</b>
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
2005	1,205.4	6.3	1,808.6	3,020.3	160.5	29.9	190.4	62.6	39.6	97.8	3,210.7
<u>2005</u>											
Jan	145.6	0.2	135.5	281.3	8.2	0.7	8.9	4.9	2.1	3.3	290.2
Feb	80.5	0.0	121.2	201.7	14.8	1.7	16.4	9.8	7.1	5.0	218.2
Mar	116.0	0.5	142.8	259.3	14.4	4.3	18.7	4.4	1.6	10.0	278.0
Apr	62.5	0.8	129.3	192.5	6.0	1.6	7.6	2.2	0.8	3.8	200.2
May	98.9	0.0	162.5	261.4	10.8	2.0	12.8	4.9	3.0	6.0	274.2
June	152.5	2.0	171.4	325.9	14.5	5.5	20.0	7.3	4.7	7.1	345.9
July	90.9	0.0	123.8	214.7	7.8	1.3	9.1	3.9	3.1	3.9	223.8
Aug	97.3	0.0	168.3	265.6	18.8	1.4	20.2	8.3	6.6	10.5	285.8
Sept	112.8	0.0	185.2	298.0	23.4	4.2	27.6	5.8	1.6	17.6	325.7
Oct	75.9	0.0	150.8	226.7	11.4	2.2	13.7	3.5	1.7	7.9	240.4
Nov	88.9	1.6	159.7	250.3	10.8	2.8	13.6	4.0	3.7	6.8	263.9
Dec	83.5	1.2	158.0	242.8	19.5	2.2	21.7	3.6	3.6	15.9	264.5
<u>2006</u>											
Jan	143.5	1.6	98.2	243.3	9.6	1.2	10.8	2.3	2.2	7.3	254.1
Feb	105.4	0.0	157.5	262.9	8.8	0.2	8.9	5.0	4.7	3.8	271.8
Mar	160.0	0.9	152.8	313.8	22.0	3.6	25.6	2.2	2.0	19.8	339.4
YTD '05	342.1	0.7	399.6	742.4	37.4	6.6	44.0	19.1	10.8	18.3	786.4
YTD '06	408.9	2.6	408.5	820.0	40.3	5.0	45.3	9.5	8.9	30.9	865.3
% Change	19.5%	266.8%	2.2%	10.5%	7.8%	-24.1%	3.0%	-50.5%	-17.9%	68.8%	10.0%

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
2005	20.5	240.9	261.4	55.9	89.1	145.0	406.4	3.15	4.29	1.15
<u>2005</u>										
Jan	1.0	11.7	12.7	3.6	6.6	10.2	22.8	2.33	4.22	1.89
Feb	1.5	15.6	17.1	4.5	9.2	13.6	30.7	2.54	4.17	1.63
Mar	1.2	24.1	25.3	7.2	12.5	19.7	45.0	2.74	4.50	1.76
Apr	1.9	16.4	18.2	5.1	7.9	13.0	31.3	2.76	4.34	1.58
May	1.3	20.8	22.1	4.1	9.5	13.6	35.7	2.84	4.14	1.30
June	2.4	25.2	27.6	7.1	9.4	16.5	44.1	2.97	4.00	1.03
July	1.5	21.8	23.3	3.8	6.8	10.5	33.8	3.22	4.18	0.96
Aug	1.3	21.7	23.0	4.3	6.8	11.1	34.1	3.44	4.26	0.82
Sept	2.5	17.2	19.7	4.9	6.7	11.7	31.4	3.42	4.20	0.78
Oct	2.9	18.8	21.7	2.4	3.4	5.8	27.4	3.71	4.46	0.75
Nov	2.3	26.1	28.4	5.1	5.1	10.3	38.7	3.88	4.54	0.66
Dec	0.8	21.5	22.3	3.8	5.2	9.0	31.3	3.89	4.47	0.58
<u>2006</u>										
Jan	0.7	10.4	11.2	3.6	4.0	7.6	18.8	4.24	4.42	0.18
Feb	1.6	12.3	13.9	3.2	6.3	9.5	23.4	4.43	4.57	0.14
Mar	1.1	16.5	17.7	4.0	5.1	9.0	26.7	4.51	4.72	0.21
YTD '05	3.6	51.4	55.0	15.2	28.3	43.5	98.5	2.54	4.30	1.76
YTD '06	3.5	39.3	42.8	10.8	15.3	26.1	68.9	4.39	4.57	0.18
% Change	-4.2%	-23.6%	-22.3%	-29.0%	-45.8%	-39.9%	-30.1%	73.2%	6.4%	-90.0%

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	66.0	1,801.3	46.1	34.6
2005	10,717.50	1,248.29	7,753.95	2,205.32	1,602.2	63.5	1,778.5	56.1	39.5
<u>2005</u>									
Jan	10,489.94	1,181.27	7,089.83	2,062.41	1,618.4	62.5	2,172.3	54.1	45.5
Feb	10,766.23	1,203.60	7,321.23	2,051.72	1,578.2	62.7	1,950.2	54.5	43.2
Mar	10,503.76	1,180.59	7,167.53	1,999.23	1,682.6	66.7	1,849.0	59.1	38.8
Apr	10,192.51	1,156.85	7,008.32	1,921.65	1,692.8	61.7	1,839.2	58.8	39.6
May	10,467.48	1,191.50	7,134.33	2,068.22	1,502.1	52.9	1,685.6	50.8	36.6
June	10,274.97	1,191.33	7,217.78	2,056.96	1,515.8	58.0	1,747.9	52.5	39.4
July	10,640.91	1,234.18	7,476.66	2,184.83	1,478.9	58.8	1,621.8	53.1	37.8
Aug	10,481.60	1,220.33	7,496.09	2,152.09	1,441.4	61.9	1,538.9	51.3	34.1
Sept	10,568.70	1,228.81	7,632.98	2,151.69	1,683.0	70.5	1,716.5	60.6	37.5
Oct	10,440.07	1,207.01	7,433.12	2,120.30	1,846.7	72.7	1,796.3	64.6	41.7
Nov	10,805.87	1,249.48	7,645.28	2,232.82	1,641.7	64.6	1,768.3	58.3	41.9
Dec	10,717.50	1,248.29	7,753.95	2,205.32	1,553.5	69.6	1,704.4	55.2	39.6
<u>2006</u>									
Jan	10,864.86	1,280.08	8,106.55	2,305.82	1,867.6	81.4	2,170.7	69.4	55.0
Feb	10,993.41	1,280.66	8,060.61	2,281.39	1,737.0	77.4	2,014.0	66.0	48.8
Mar	11,109.32	1,294.83	8,233.20	2,339.79	1,656.3	75.0	2,038.6	62.3	45.3
YTD '05	10,503.76	1,180.59	7,167.53	1,999.23	1,629.0	64.1	1,986.5	56.0	42.4
YTD '06	11,109.32	1,294.83	8,233.20	2,339.79	1,749.2	77.8	2,073.6	65.7	49.5
% Change	5.8%	9.7%	14.9%	17.0%	7.4%	21.4%	4.4%	17.3%	16.9%

## 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	152.3	32.6	31.0	-258.5	-42.6	215.8
2004	4,384.0	519.3	1,290.4	1,913.2	8,106.9	177.9	42.7	-10.8	-156.6	53.2	209.8
2005	4,940.0	567.3	1,357.4	2,040.5	8,905.2	135.5	25.2	31.3	63.1	255.2	192.0
<u>2005</u>											
Jan	4,288.7	515.7	1,302.6	1,892.5	7,999.5	10.1	5.0	4.7	-27.5	-7.8	19.7
Feb	4,416.3	528.9	1,305.3	1,875.4	8,125.8	22.1	4.4	2.6	-19.3	9.8	29.1
Mar	4,349.6	525.4	1,295.7	1,875.7	8,046.4	15.3	3.9	-1.3	-2.2	15.7	17.9
Apr	4,246.8	522.6	1,306.8	1,841.3	7,917.6	8.5	2.6	1.2	-36.7	-24.4	12.3
May	4,407.3	534.7	1,323.4	1,858.4	8,123.7	11.8	2.2	4.0	14.5	32.5	18.0
June	4,472.1	543.9	1,336.4	1,865.4	8,217.7	6.3	2.0	4.1	3.0	15.4	12.4
July	4,670.3	554.6	1,339.4	1,883.9	8,448.3	9.9	1.4	7.4	13.9	32.5	18.6
Aug	4,678.6	557.5	1,360.6	1,922.9	8,519.7	6.4	1.8	7.4	32.5	48.0	15.5
Sept	4,759.5	560.8	1,356.3	1,912.6	8,589.2	7.8	1.3	3.8	-13.4	-0.4	13.0
Oct	4,664.3	552.0	1,344.7	1,936.5	8,497.5	6.5	0.9	0.6	21.2	29.2	8.0
Nov	4,863.6	562.7	1,349.2	1,991.1	8,766.6	21.0	0.5	-0.3	30.3	51.5	21.2
Dec	4,940.0	567.3	1,357.4	2,040.5	8,905.2	9.8	-0.8	-2.8	47.0	53.2	6.2
<u>2006</u>											
Jan	5,196.4	581.1	1,375.4	2,040.4	9,193.3	31.6	-0.1	8.3	-4.4	35.3	39.7
Feb	5,197.1	582.5	1,388.7	2,050.9	9,219.2	27.3	0.8	8.7	5.4	42.2	36.8
YTD '05	4,416.3	528.9	1,305.3	1,875.4	8,125.8	32.2	9.3	7.3	-46.8	2.0	48.9
YTD '06	5,197.1	582.5	1,388.7	2,050.9	9,219.2	58.9	0.6	17.0	1.0	77.5	76.5
% Change	17.7%	10.1%	6.4%	9.4%	13.5%	82.7%	-93.1%	133.0%	NM	3752.9%	56.7%

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

Source: Investment Company Institute



**Securities Industry Association**

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