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*MARKET INVESTMENT SENTIMENT INDEX
2010 ANNUAL REPORT*

MISI AT A GLIMPSE
January 1 to December 31, 2010

Welcome to the College of Management, UMASS – Boston, Financial Services Forum’s 2010 Annual Report on the Market Investment Sentiment Index (MISI). The MISI is calculated daily by the Forum and a monthly summary is posted in the Forum’s website.

According to the Index, investors were generally cautious in 2010 (approximately half the trading days); however, investor sentiment ranged from highly risk-averse to highly risk seeking, with scores distributed almost evenly across all the categories. Investor sentiment had peaked in February, reached a low in the end of May. It was on an upward trajectory towards the end of the year, and was almost near its February high.

The Financial Services Forum is a source of current information and commentary about critical issues facing the industry in Boston and at the national level, as well as the health of financial services in general. Please visit the Forum’s website (www.management.umb.edu/businesscenter/financial_forum.php) for more information.

- Director of the Forum: Arindam Bandopadhyaya, Professor of Finance and Chair of the Department of Accounting and Finance at UMB.
- Research Associates: Amy Shuai Wang, PhD student at Temple University in Philadelphia and Professors Atreya Chakraborty and James Grant at UMB.
- Research Assistants: Sung-Il Jung, Rammaharaj Sundareswaran, Diane Tran and Brande Si Peng.

Special thanks to Amy Shuai Wang and Brande Si Peng for their work on the MISI.

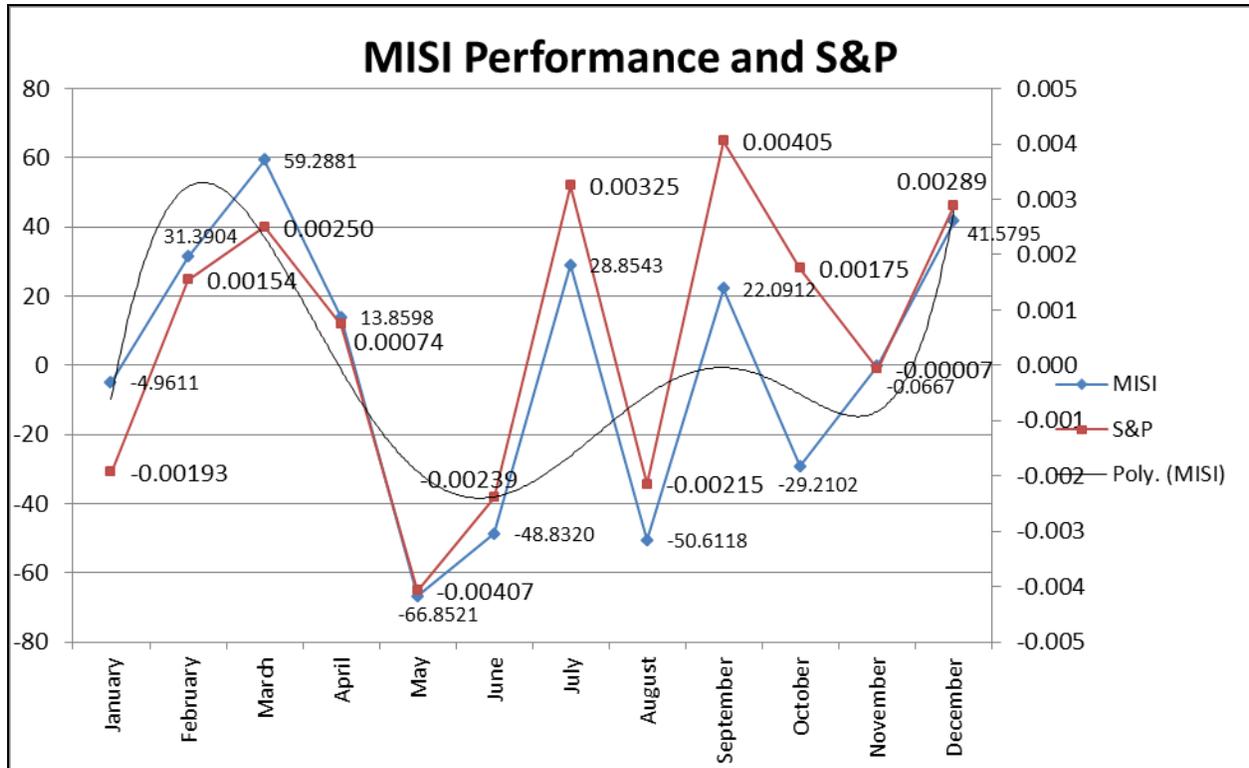
The Market Investment Sentiment Index

The Market Investment Sentiment Index (MISI) is a market-based measure of investor sentiment constructed from price data from 30 firms in the Dow Jones Industry Average Index (DJIA) - the largest and most widely held public companies in the United States. Daily returns for each of the securities in the DJIA and the average standard deviation of daily returns over the previous five days (the "historic volatility") are computed. The MISI is constructed monthly for every trading day in the month, using a correlation of the ranking of daily returns and the ranking of historic volatility.

The MISI can range from a low of -100 to a high of +100. For values between -10 to +10 the market is classified as risk-neutral, for values between -10 and -30 the market is labeled moderately risk-averse, and for values less than -30 the market is considered highly risk-averse. Similarly, if MISI falls between +10 and +30, the market is labeled moderately risk-seeking, and if the index exceeds +30, the market is considered highly risk-seeking.

Movements in the MISI capture both positive and negative news concerning the economy. Also, changes in the MISI closely replicate changes in the S&P 500. The MISI and the S&P 500 return for the same trading day has, on average, a significant correlation coefficient of about seventy-five percent.

Market Investment Sentiment Index (MISI) and the S&P 500 Index from January 1 to December 31, 2010

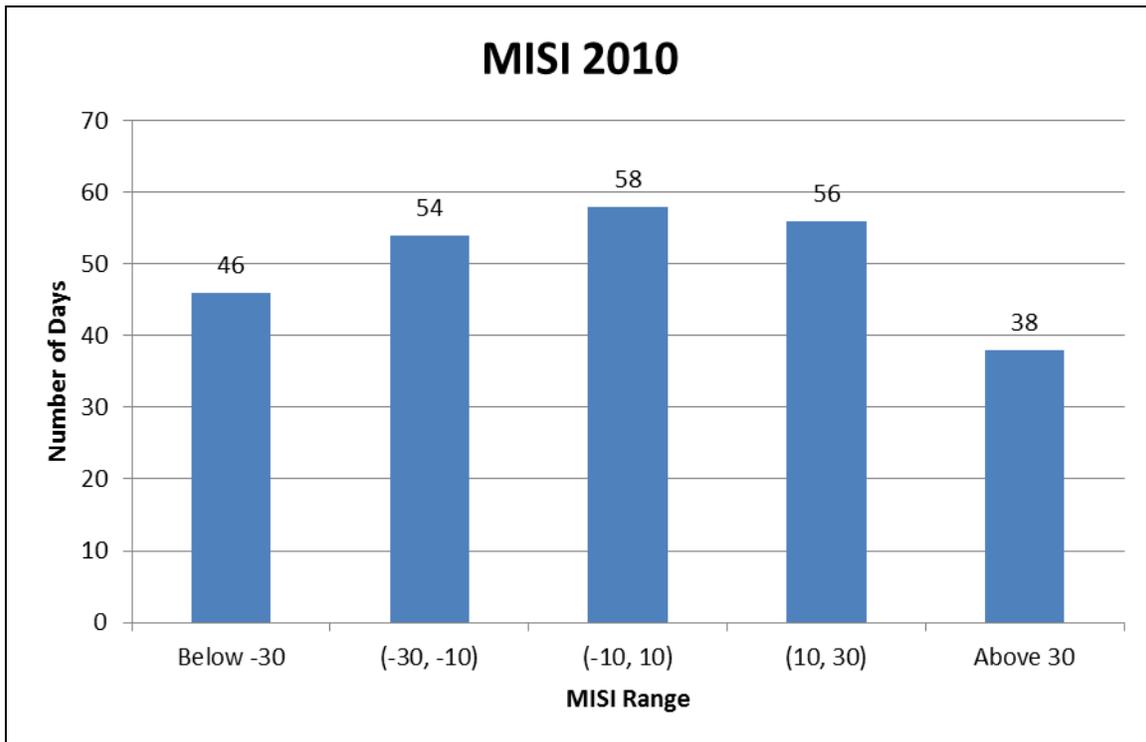


- Based on the daily MISI and S&P 500 return, the correlation of MISI and S&P 500 was **69.85%**.
- Based on the monthly average MISI and monthly average S&P 500 return, the correlation of MISI and S&P 500 was **83.21%**.
- Investor sentiment seems to have peaked in February, troughed at the end of May, and towards the end of the year it was on an upward trajectory and had almost reached its yearly high.

SUMMARY

Analysis based on Market Investment Sentiment Index (MISI) and the S&P Index from January 1 to December 31, 2010.

In the 252 trading days of 2010 the market sentiment was:



Average:

- The average MISI using daily data was -1.75, and using annual data was -0.2892.
- The distribution of MISI by days is quite symmetric. In majority of the days, investors remained risk-neutral. Among the rest of the days, investor sentiment is evenly spread across different categories.

High:

- Forty-six days or 18.3% of the days, the market was **highly risk-averse** with an average score of -48.1.
- Thirty-eight days or 15.1% of the days, the market was **highly risk-seeking** with an average score of 45.85.

Moderate:

- Fifty-four days or 21.4% of the days, it was **moderately risk-averse** with an average score of -18.92.
- Fifty-six days or 22.2% of the days, it was **moderately risk-seeking** with an average score of 19.13.

Neutral:

- Fifty-eight days or 23% of the days, the market's sentiment was **risk-neutral** with an average score of -0.35.