



SILVERCREST
ASSET MANAGEMENT GROUP

SILVERCREST ECONOMIC & MARKET PERSPECTIVE

NOVEMBER 2004

SUMMARY

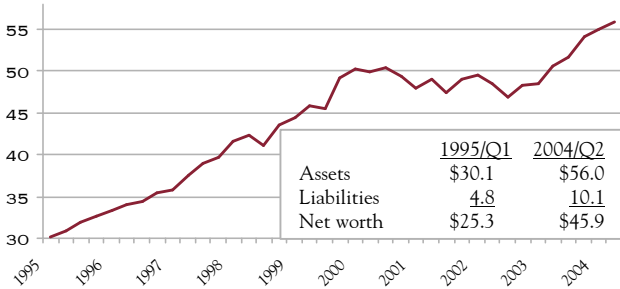
- The U.S. economy is in better shape than media headlines suggest.
- Profit growth remains robust; it is being generated by a combination of higher revenues and expanding margins (productivity).
- While interest rates are likely to rise in coming months, monetary policy should not be disruptive.
- The sharp increase in oil prices in recent months—in part reflecting speculative trading—should not derail the current expansion.
- The stock market has failed to respond to the strong recovery in profits, causing valuations to retreat to the lowest levels since 1995.



SILVERCREST ECONOMIC & MARKET PERSPECTIVE

U.S. CONSUMER TOTAL ASSETS

Quarterly Q2'04: \$56.0

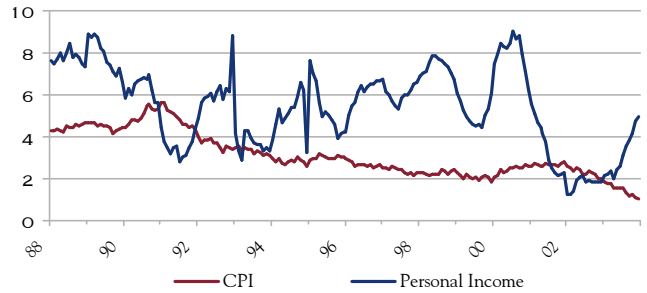


Source: ISI, Dept of Commerce

Consumer net worth has risen more than 80% across all asset classes since 1995.

PERSONAL INCOME vs. CPI

% YoY Monthly

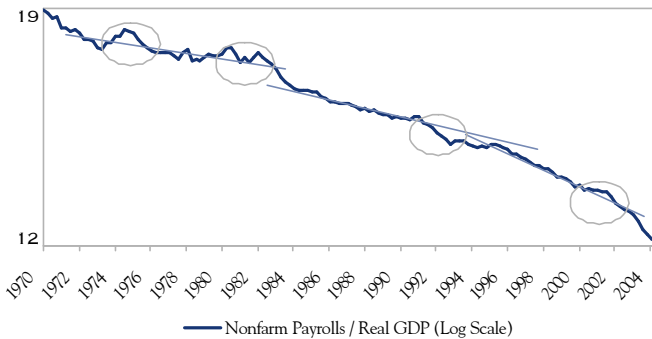


Source: FactSet

Personal income is well ahead of inflation, providing significant consumer support for the economy.

FEWER JOBS PER REAL-DOLLAR GDP

Log scale



Source: Decision Economics

It requires fewer employees to generate a unit of GDP. This may be bad politics, but it is good economics.

TRADE WEIGHTED DOLLAR

Daily Sep. 23: 88.2



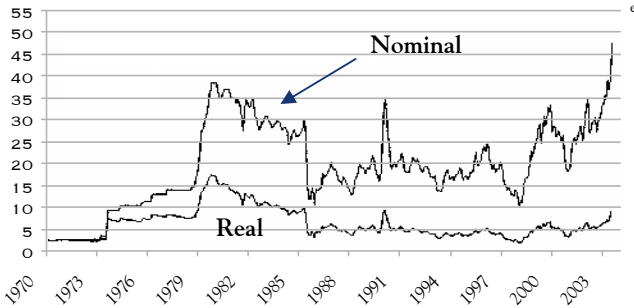
Source: Bloomberg

After losing ground through 2003, the U.S. dollar has been stable in 2004 on a trade-weighted basis.



SILVERCREST ECONOMIC & MARKET PERSPECTIVE

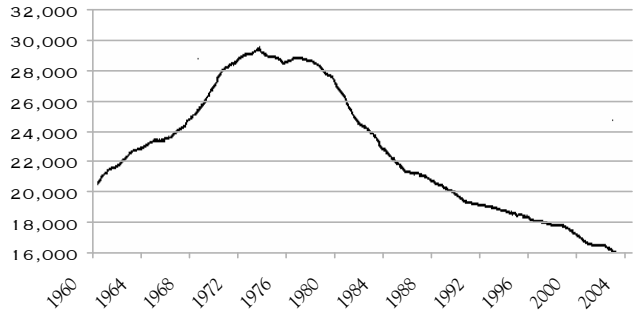
OIL PRICE
Nominal and Adjusted for Inflation



Source: Bridgewater

Adjusting for inflation puts today's high oil prices into perspective and...

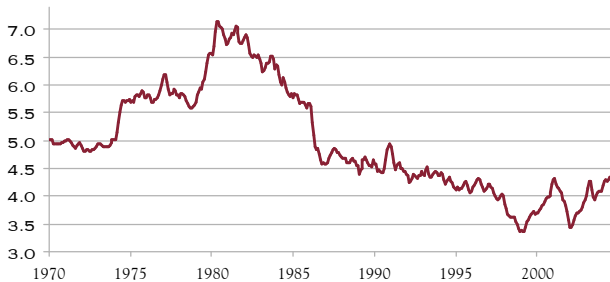
GLOBAL OIL CONSUMPTION PER UNIT OF GDP



Source: Bridgewater

It now requires nearly 50% less oil to produce a unit of GDP. This explains the moderate effect of a rise in oil prices on the economy.

U.S. CONSUMER SPENDING ENERGY
% Nominal Personal Income Monthly August: 4.29%



Source: ISI, Dept. of Commerce

The percentage of personal income spent on energy has remained essentially the same for 15 years.

U.S. FEDERAL BUDGET
SAAR Aug: -\$325 B



Source: U.S. Dept. Commerce

The budget deficit is improving with the expansion.

