What's New?

Feddern Financial Consulting Group Newsletter

October 12, 2009

KEYS TO THE BEGINNING OF A "REAL" RECOVERY:

1. ***The Real Estate market must stabilize. If not reversing, at least not continuing to fall. NEW HOUSING STARTS UP this past Spring and Summer because of seasonal factors but inventory still huge! The Nationwide COMMERCIAL COLLAPSE IS JUST BEGINNING!***

2. ***Unemployment must stabilize. If not reversing, at least not continuing to rise. Last report was lower! IT'S ACTUALLY WORSE as a "%," Back to near 10% - BUT IT CONTINUES TO MOUNT @ OVER 300,000+ weekly.***

3. ***Corporate Earnings (profits) must stabilize. If not reversing, at least not continuing to fall. A FEW POSITIVE SIGNS but mainly in TECHNOLOGY.***

4. ***Banks must begin to make loans again (especially to small businesses and potential home owners…albeit under ancient premises of buyers being qualified and of all things, a down-payment! Lots of "hoopla" from the mega banks, but it appears that there's no real progress. They're "hoarding" any cash they can get their hands on. And now here comes the Regional problems compounded by PRIME loan and Alt-A resets!***

5. ***The DOLLAR has to decline. It's started for REAL!***

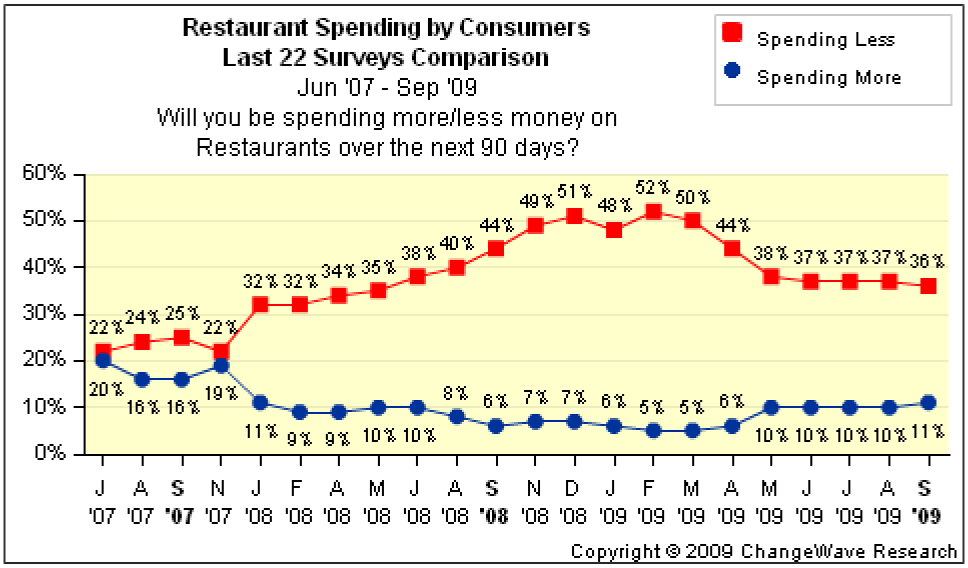
6. **Auto sales must stabilize at some NEW level. Maybe started!**

The consumer must get "back in the game of consumin'" NO WAY!

Consumer Restaurant Spending Report

An Uptick in Restaurant Spending

Here is an in-depth report from our friends at ChangeWave Reports on the "situation" with restaurants. After four consecutive monthly surveys of virtually no change, we're seeing an uptick in restaurant spending; 11% of respondents now say they'll spend more money at restaurants going forward – 1-pt improved over August.



more expensive restaurants going forward – 1-pt higher than in our May 2009 survey. Another 36% say they'll be spending less, also 1-pt better than previously.

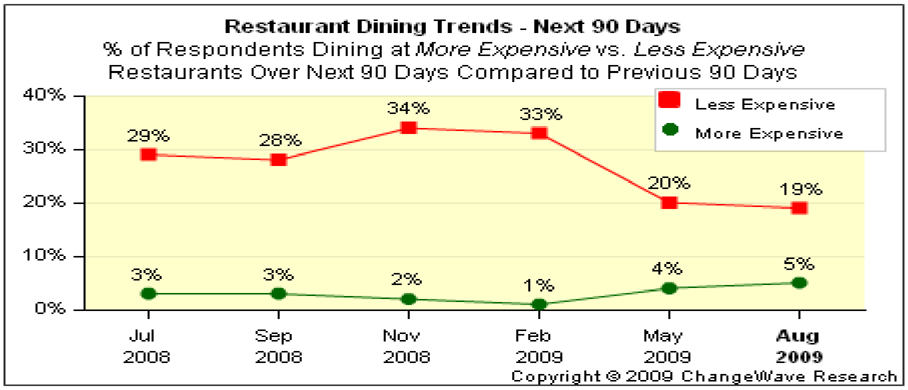
More Positive Signs

- **Looking at the past 90 days, 27% of respondents say they've spent *More* than planned on eating out and only 19% *Less* than planned – a net 11-pt improvement since May**

- **The percentage who say they're *Ordering Less Expensive Items on the Menu* (26%) has declined 3-pts, as has the percentage who say they've been *Skipping Beverages* when dining out (29%; down 3-pts)**

- **And while 35% say they've been *Eating More Meals at Home* over the past 90 days – that's 2-pts less than previously**

Looking Ahead – Next 90 Days. A total of 5% of respondents now say they'll be dining at:

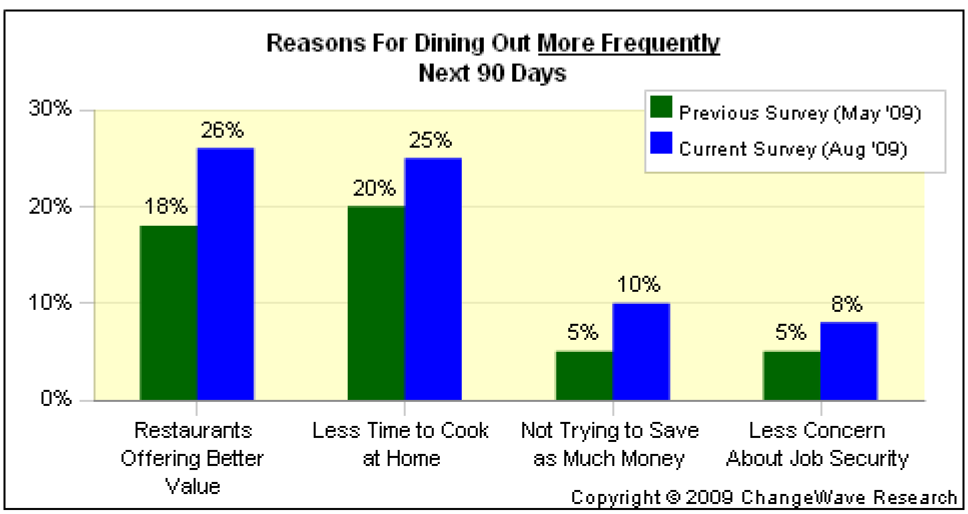


Only 19% say they'll dine at less expensive restaurants going forward, a 1-pt decline.

Frequency of Dining Out. With summer vacations ending, only 12% say they expect to dine out *More Frequently* over the next 90 days compared to the previous 90. However, 26% report they'll dine out *Less Frequently*. All told, these results are 5-pts less than the previous survey, most likely due to seasonal factors.

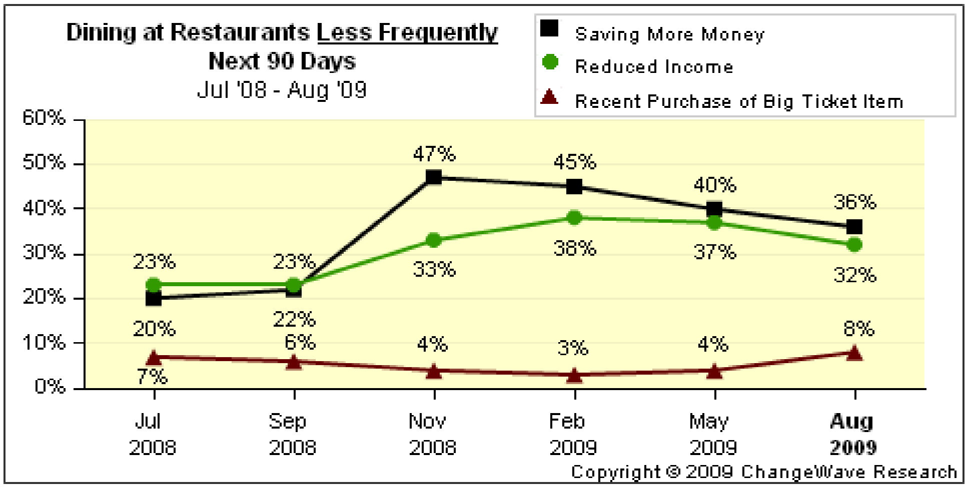
Reasons For Dining Out More Frequently. We asked those consumers who expect to dine out 'More Frequently' over the next 90 days to tell us why.

A total of 26% (up 8-pts) say it's because *Restaurants are Offering a Better Value*. Another 25% say they have *Less Time to Cook at Home* (up 5-pts).



In a positive sign for the overall economy, one-in-ten (10%; up 5-pts) say it's because they're *Not Trying to Save as Much Money*, and 8% (up 3-pts) because they're *Less Concerned About Job Security*.

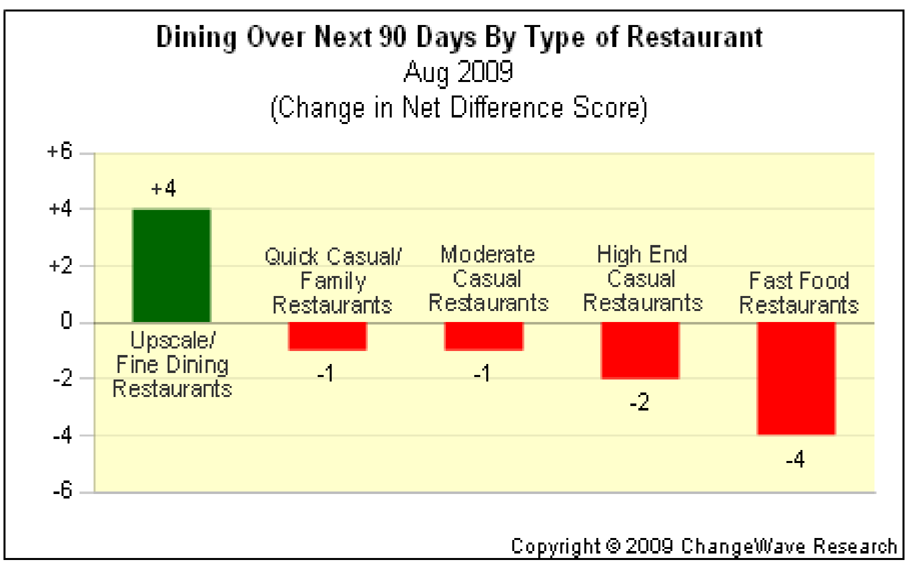
Reasons For Dining Out Less Frequently. *Saving More Money* (36%; down 4-pts) and *Reduced Income* (32%; down 5-pts) still remain the top reasons given by those who are dining out less frequently, but each have declined since our May survey.



We note that *Recent Purchase of Big Ticket Item* (8%) has increased by 4-pts since May – another positive sign for the overall economy.

Restaurant Categories

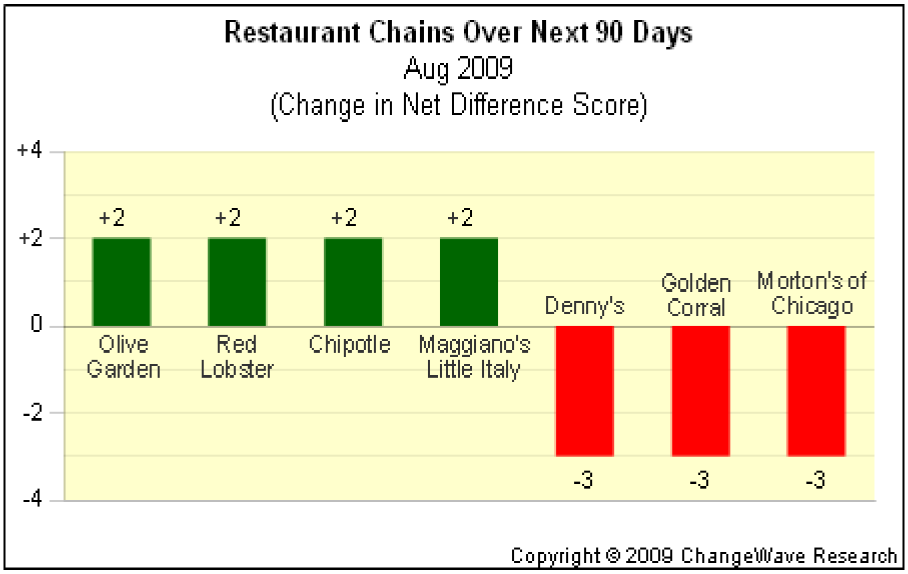
We next asked respondents to tell us which types of restaurants they'll be eating at more or less often over the next 90 days. The one category showing improvement since our May survey was Upscale/ Fine Dining Restaurants (Change in Net Difference Score = +4).



Note that for the second consecutive survey the category of Fast Food Restaurants (-4) has experienced the largest decline – further evidence that consumers are "trading up" when it comes to dining out.

Individual Restaurant Chains

We also asked respondents to tell us which individual restaurant chains they'll be spending more and less money at over the next 90 days. We then compared the results with the findings from our previous survey in order to identify best and worst positioned chains going forward. Here are the 4 best positioned and 3 worst positioned restaurant chains in terms of where respondents say they'll spend more vs. less money over the next 90 days:



Coffee Buying – Starbucks' Momentum Continues

More than one-in-four of our respondents (28%) report they typically buy fresh brewed coffee from a coffee shop or restaurant. We took a close-up look at this group to find out where they'll be buying coffee over the next 90 days

For the second consecutive survey, Starbucks (SBUX; +5) has experienced the biggest improvement of any coffee shop or restaurant surveyed. They are clearly a momentum winner at this point of the recovery.

Among home coffee drinkers surveyed, Maxwell House (+4) is the 'Brew at Home' coffee brand experiencing the biggest increase in demand going forward.

Bottom Line. The current ChangeWave survey suggests consumers continue "trading up" when it comes to dining out. Moreover, we're seeing an uptick in

restaurant spending, with 11% of respondents now saying they'll spend more money at restaurants going forward – 1-pt improved over August.

While the overall results shows clear signs of signs of improvement for the restaurant industry – and for the overall economy – things appear to be tightening for the fast food sector.

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All of our past Newsletters are available on our Website at:

www.fedderngroup.com

We continue to receive more and more inquiries about our Down-side Risk Management disciplines along with our group of recommended money managers. We appreciate your "referrals." It's the main way we continue to build our business.

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