Portfolio Manager Commentary

Trustmark Investment Advisors, Inc.

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ECONOMIC HIGHLIGHTS

Last week's holiday-shortened week was relatively light in domestic economic releases.

In September, consumer credit expanded $7.4 billion and also brought in third quarter data which showed credit expanding at a 1.6% annual rate, down from the second quarter rate of 3.5%.

The National Federation of Independent Business (NFIB) Small Business Optimism Index rose 1.3 points to a still depressed 90.2 in October. Improvement was centered in the six month outlook as well as in current job openings though the report noted that labor market indications still remain flat and do not point to a reduction in the unemployment rate. The report describes capital expenditures as depressed and says firms have little interest in borrowing or investing in inventory.

Fed Chairman Ben Bernanke had a couple speaking engagements last week where he continued to hint that the fiscal policy needs to take a more prominent role in boosting the economy.

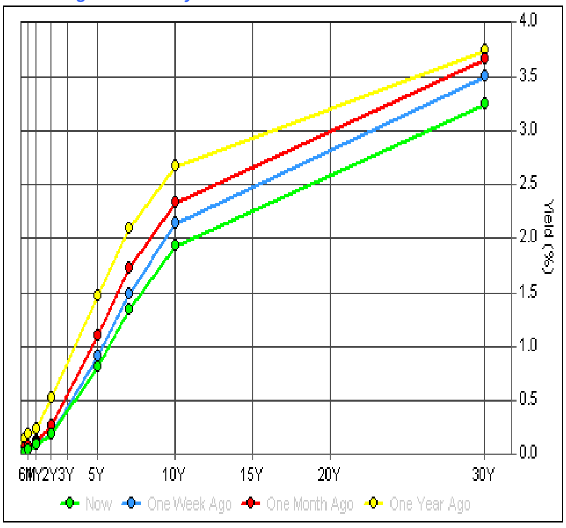
This week look for Producer Prices, Consumer Prices, Retail Sales, Business Inventories, Industrial Production, Capacity Utilization, Housing Starts, Building Permits, and Leading Indicators.

FIXED INCOME

Current Generic Bond Yields

TREASURIES		AGENCIES		CORPORATES		MUNICIPALS	
3 mo	-0.03%	3 mo	0.07%	3 mo	0.36%	3 mo	0.15%
6 mo	0.02%	6 mo	0.09%	6 mo	0.47%	6 mo	0.19%
1 yr	0.08%	1 yr	0.25%	1 yr	0.59%	1 yr	0.26%
2 yr	0.24%	2 yr	0.48%	2 yr	0.70%	2 yr	0.47%
5 yr	0.89%	5 yr	1.40%	5 yr	1.50%	5 yr	1.23%
10 yr	2.00%	10 yr	2.77%	10 yr	2.95%	10 yr	2.48%
30 yr	3.08%	30 yr		30 yr	4.11%	30 yr	3.99%

Change in Treasury Yield Curve



Comments

Europe continued to drive fixed income markets as a surge in Italian bond yields last week increased concern that the European credit crisis was spreading, raising demand for the relative safety of U.S. government securities.

Italy's ten-year bond yield closed at a euro-era high of 7.25 on Wednesday after Prime Minister Silvio Berlusconi's offer to resign failed to convince investors that his country can slash its debt.

Also Wednesday, Alabama's most populous county chose to declare bankruptcy as the path to take control of its troubled sewer system from a court appointed receiver and wipe away as much of its $4.15 billion in debt as possible. Jefferson County's Chapter 9 bankruptcy protection filing was the largest municipal bankruptcy in U.S. history.

The Federal Reserve announced plans to buy as much as $2 billion of Treasuries due from 2021 to 2031 last Thursday as its "Operation Twist" program continues.

EQUITY

Index Returns	***Last Week***	***Ytd***
Dow Jones Industrials	-0.61%	5.07%
S&P 500 (Large Cap)	-0.99%	0.33%
S&P 400 (Mid Cap)	-3.02%	-2.78%
Russell 2000 (Small Cap)	-2.77%	-6.41%
NASDAQ Composite	-2.25%	-0.24%
MSCI EAFE (International)	-2.30%	-11.33%
iShares Real Estate	-3.00%	1.00%

Comments

Like "Marsha, Marsha, Marsha" from the Brady Bunch, equity markets continued to be driven mad by Europe, Europe, Europe last week.

Early in the week, Italian Prime Minister Silvio Berlusconi said he wouldn't resign until austerity measures are passed, while rival parties squabbled over the next premier in Greece to replace George Papandreou.

Greece later named Lucas Papademos as its interim prime minister. Former vice president of the European Central Bank Papademos helped foster economic growth rates that surpassed Germany's and France's in his eight years at Greece's central bank before moving to the European Central Bank in 2002.

Unconfirmed rumors began circulating last week that German Chancellor Angela Merkel's Christian Democratic Union party wanted to make it possible for European Union members to exit the euro area. Later statements by EU officials denied any such plan.

Finance ministers failed to bridge divisions over the European Stability Mechanism, lessening the chances of activating its 500 billion-euro ($680 billion) war chest next July.

Standard & Poor's said a message was erroneously sent out Thursday to some of its subscribers suggesting France's top-notch credit rating had been lowered. It affirmed France's AAA rating shortly thereafter.

The $593 million shortfall in client money at MF Global Holdings Ltd., the broker that filed for bankruptcy on October 31, appears to result from a "massive hide-and-seek ploy," Bart Chilton, a commissioner at the U.S. Commodity Futures Trading Commission, said Thursday. The agency took the rare step of publicly announcing its investigation, which began on Oct. 31, saying it was in the public interest to confirm the enforcement action.

ASSET ALLOCATION

Current Sentiment	
Cash	Unfavorable
Short Fixed Income	Unfavorable
Intermediate Fixed Income	Unfavorable
Inflation-Adjusted Fixed Income	Neutral
High Yield Fixed Income	Neutral
International Fixed Income	Neutral
Equity Income	Favorable
Large Cap Equity	Favorable
Mid Cap Equity	Neutral
Small Cap Equity	Neutral
International Equity	Unfavorable
Emerging Markets Equity	Neutral
Real Estate	Favorable
Commodities	Favorable

Comments

Below is a summary of our current stance on most asset classes:

Cash - Holding as little as possible given the miniscule yields in money market instruments. Any exposure is for defensive positioning.
Short Term Bonds - Used mainly to pick up some yield over Cash but otherwise unattractive.
Intermediate Term Bonds - Appear overbought and limited upside potential in the near-term and long-term; inflation presents a potential problem. Some opportunities still remain present in spread products.
Inflation-Adjusted Bonds - Low inflation expected in near-term with risks increasing long-term should provide good hedge.
High Yield Bonds - Spreads have tightened; however, still remain attractive versus Treasuries.
International Bonds - European debt remains a concern, while emerging market debt remains attractive.
Equity Income - Fund flows continue to support high quality, higher-dividend-paying companies.
Large Cap Stocks - A favorable weighting is now recommended. Growth remains favored to value.
Mid Cap Stocks - A reduction in mid cap exposure with a shift to large cap stocks is recommended. Relative strength momentum has been weak lately given the market correction possibly signaling a shift in leadership.
Small Cap Stocks - In broad market corrections, small cap stocks will be hurt the most with further volatility expected. A cautious outlook is warranted in the short-term, but long-term investors should benefit from depressed prices.
International Stocks - Given most foreign investment is in developed markets and European countries, an underweight is recommended until sovereign debt concerns are alleviated.
Emerging Market Stocks - Stronger balance sheets, less debt, and better growth potential make emerging markets more attractive than developed countries.
Real Estate - Pricing is stabilizing and long-term valuations appear attractive.
Commodities - Global demand should support higher prices if the global recovery remains on track. Although, volatility will be higher and commodities will be susceptible to short-term price shocks, used in conjunction with other asset classes, risk can be reduced substantially to a diversified portfolio.