
The Investment Outlook: *A Kind Word for Equities?*

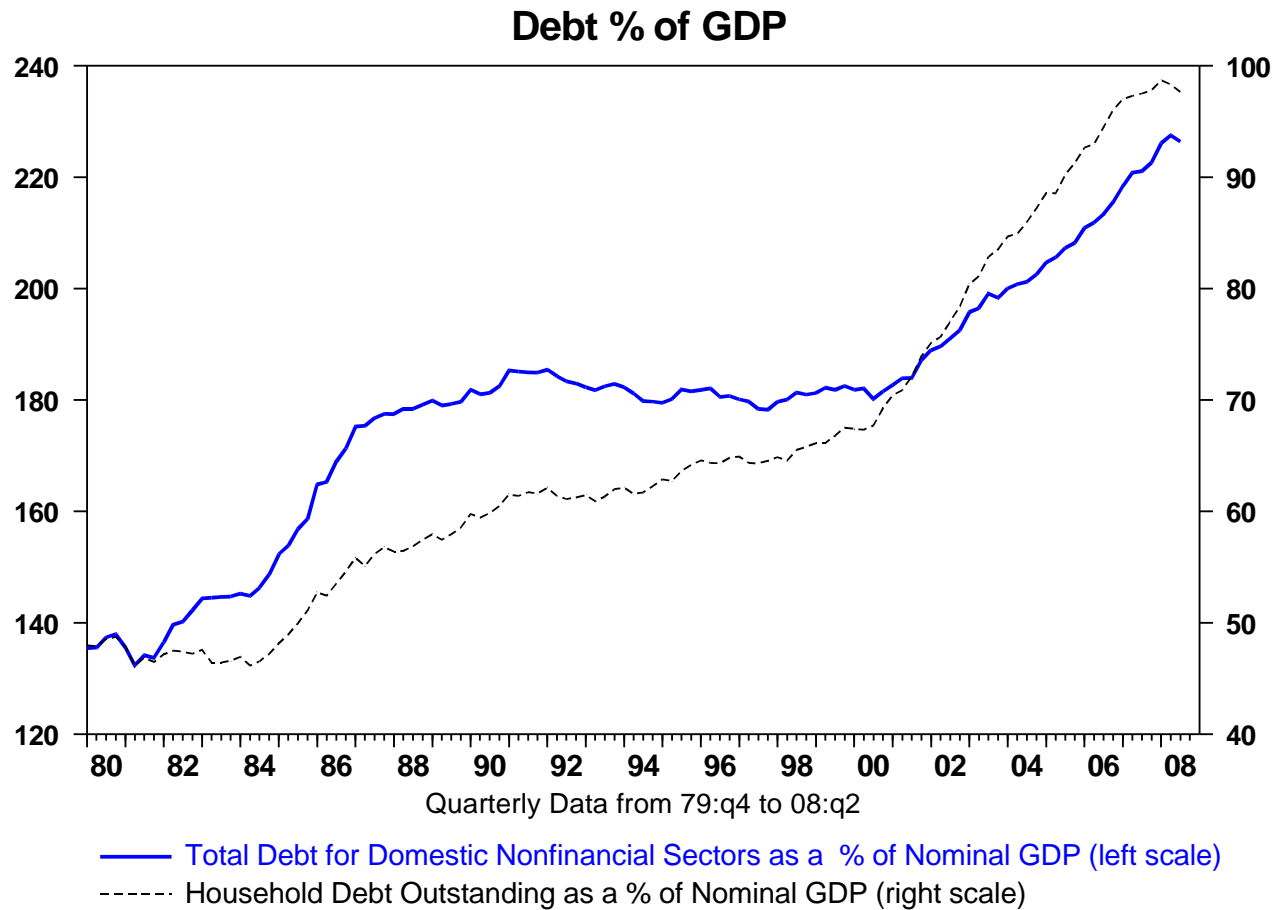
Presentation to
Grant's Investor Conference

Leon G. Cooperman
Chairman & CEO
Omega Advisors, Inc.



October 21, 2008

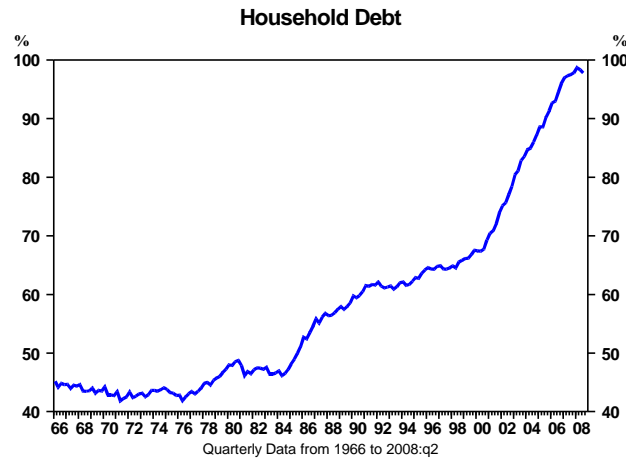
Exhibit 1



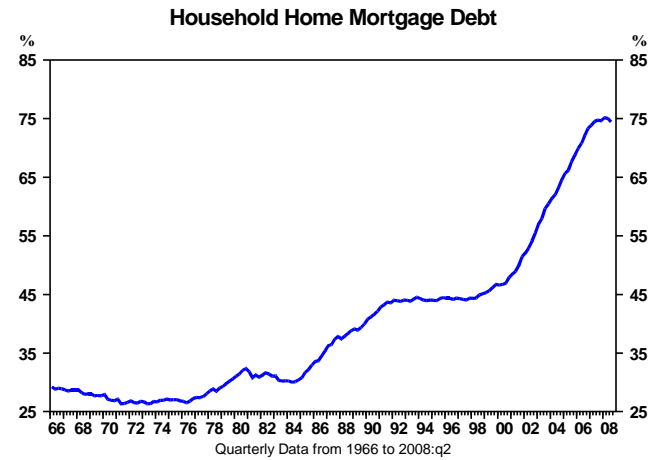
Source: Federal Reserve Flow of Funds, BEA, and Omega Advisors, Inc.

Exhibit 2

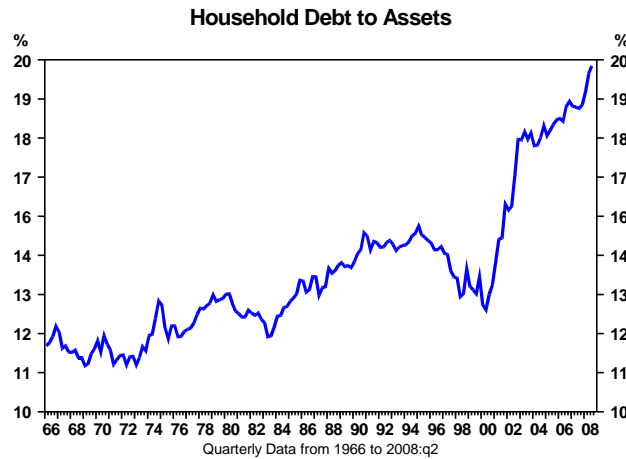
Household Debt



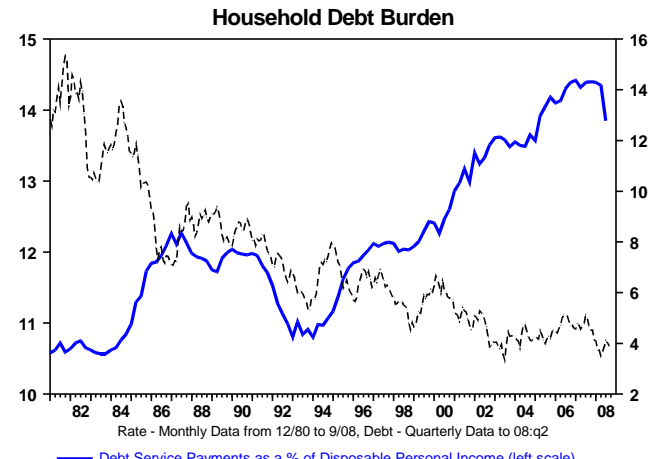
Source: Federal Reserve, BEA, and Omega Advisors, Inc.



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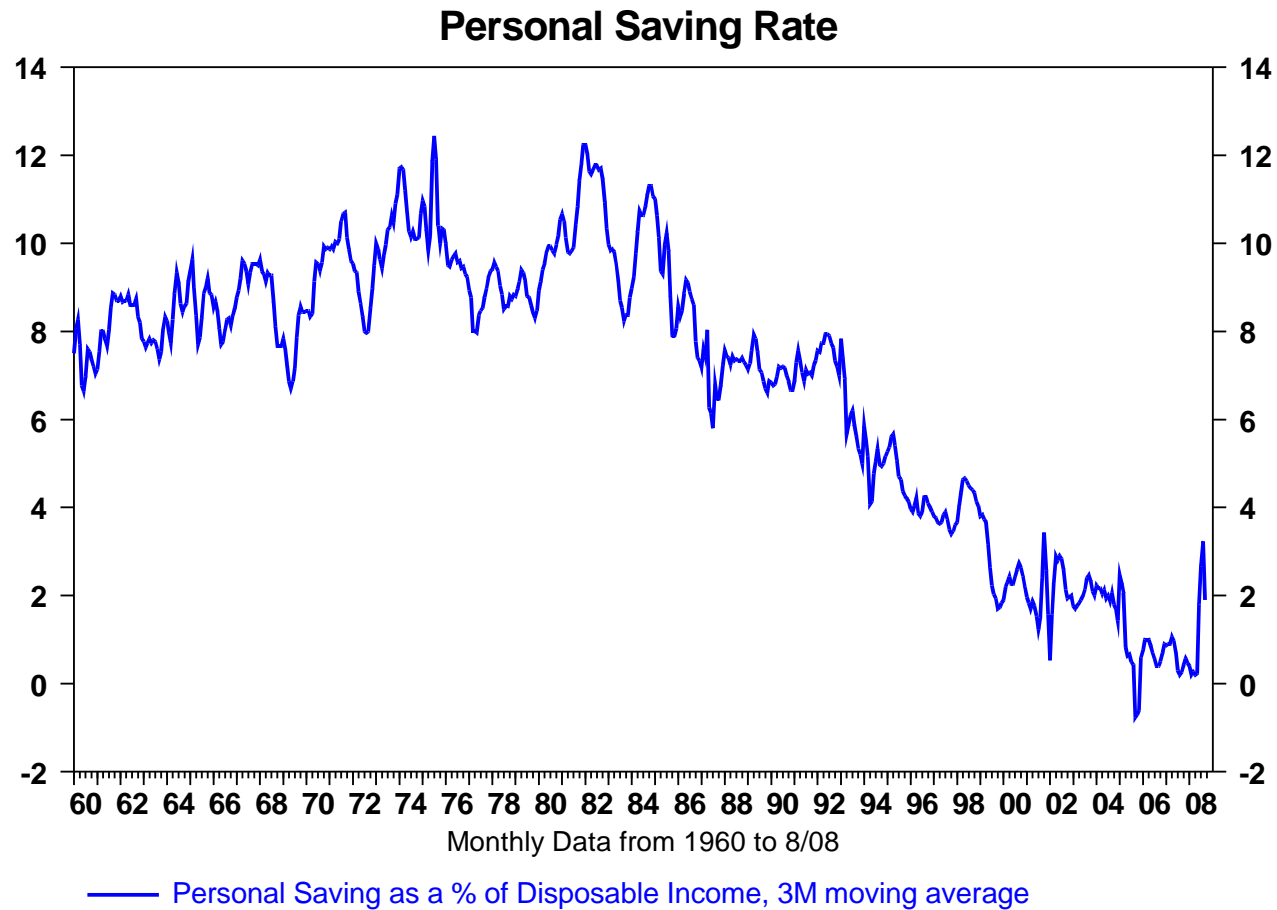


Source: Federal Reserve and Omega Advisors, Inc.



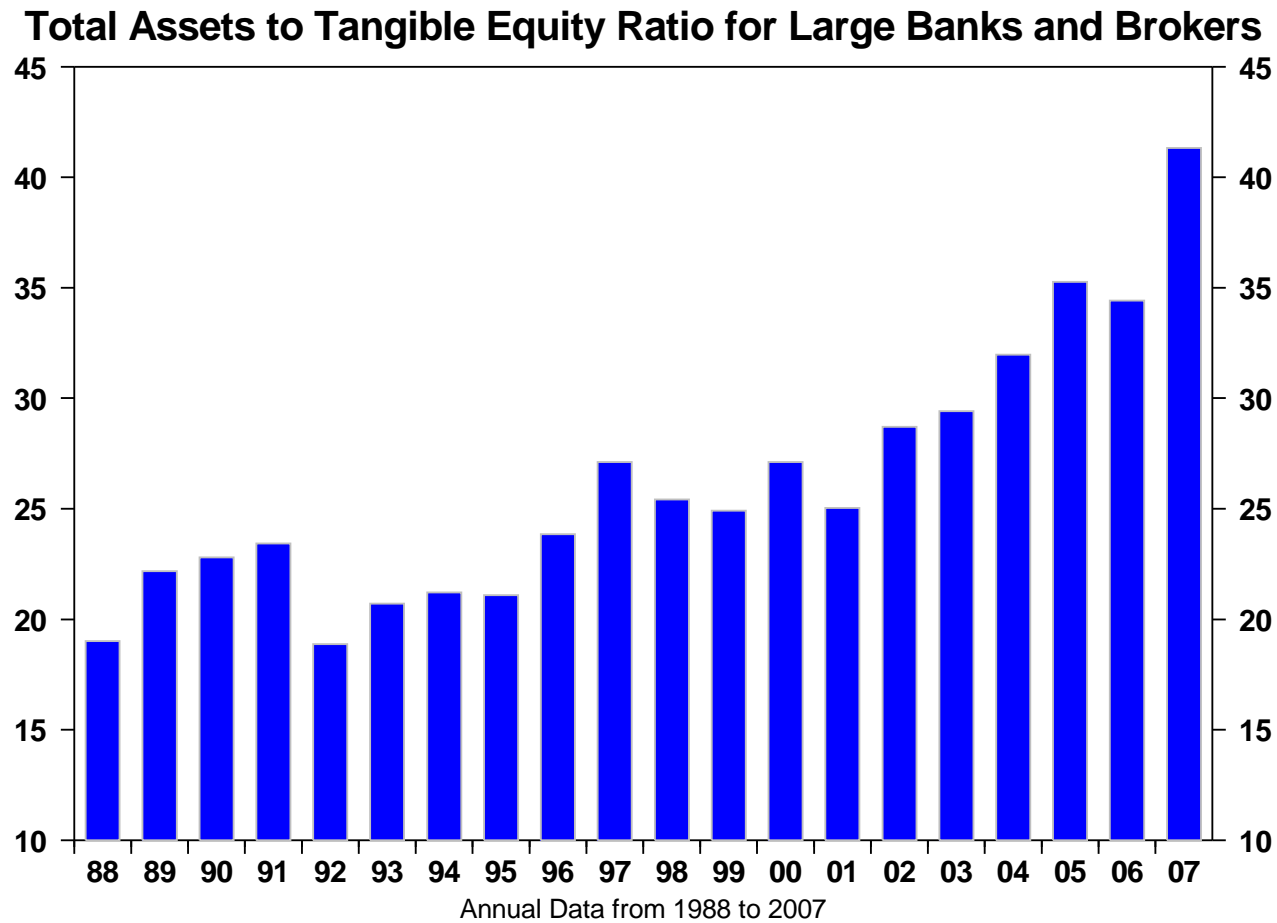
Source: Federal Reserve Board and Omega Advisors, Inc.

Exhibit 3



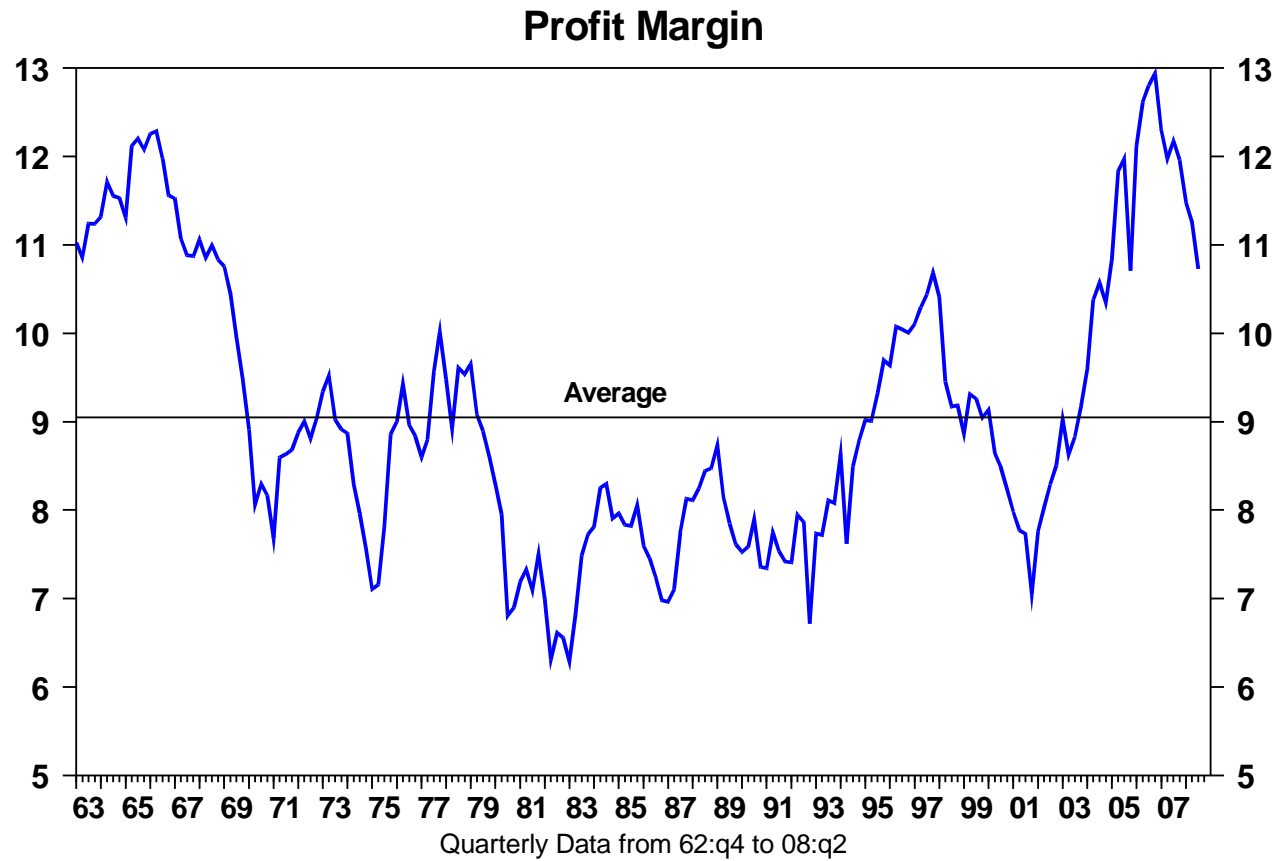
Source: Federal Reserve Flow of Funds and Omega Advisors, Inc.

Exhibit 4



Source: Bank of America, and Omega Advisors, Inc.

Exhibit 5



— Pretax Corporate Profits Adjusted for IVA and CCA as a % of Nominal GDP

Source: BEA, and Omega Advisors, Inc.

Exhibit 6

Fundamental Reasons for Some Support to the Economy

- Housing correction should be complete by year-end
- A responsive Federal Reserve in terms of cutting FF rate
- Consumer already lifting his saving rate and reducing debt
- Fed likely to ease further
- Successful term auction facilities, improving bank/broker liquidity. These facilities are being expanded
- A steeper yield curve which should encourage bank lending
- Likely easier monetary policy in Europe
- US/EU initiatives to guarantee bank debt/interbank lending/direct bank equity investments
- Addition to bank capital from SWFs
- Ample capital market liquidity
- TARP rescue package in place to purchase toxic assets
- GSE backstop in place
- Treasury balance sheet being used in MBS market
- Conforming loan limits have been lifted
- Fiscal stimulus coming
- Consumer tax cut from lower energy prices
- Good labor productivity
- Excellent corporate sector liquidity
- No capex/inventory overhang
- No excess hiring in this expansion
- Excellent export growth

Notwithstanding the above, we do expect a more shallow cyclical recovery than is typically the case and a several year period of below trend economic growth

Exhibit 7

Enormous Policy Initiatives

Federal Reserve Initiatives

- 375 basis points Fed funds rate cut
- 450 basis points discount rate cut
- TAF
- TSLF
- PDLF
- Swap lines with ECB and SNB
- BoC, BoE, ECB injecting liquidity into credit markets
- BoC, BoE have cut policy rates
- Fed has expanded acceptable collateral for loans
- Fed programs likely to defrost credit markets

Treasury/Congressional Programs

- Passage of rescue plan (TARP)
- Tax rebates in 2008
- Capital Relaxation for GSEs
- GSE backstop
- Housing Legislation which provides \$300 billion aid to insure mortgages
- FHA program to lend to subprime market
- Increase lending by FHLB

International

- EU version of TARP adopted
- ECB now cutting interest rates

Exhibit 8

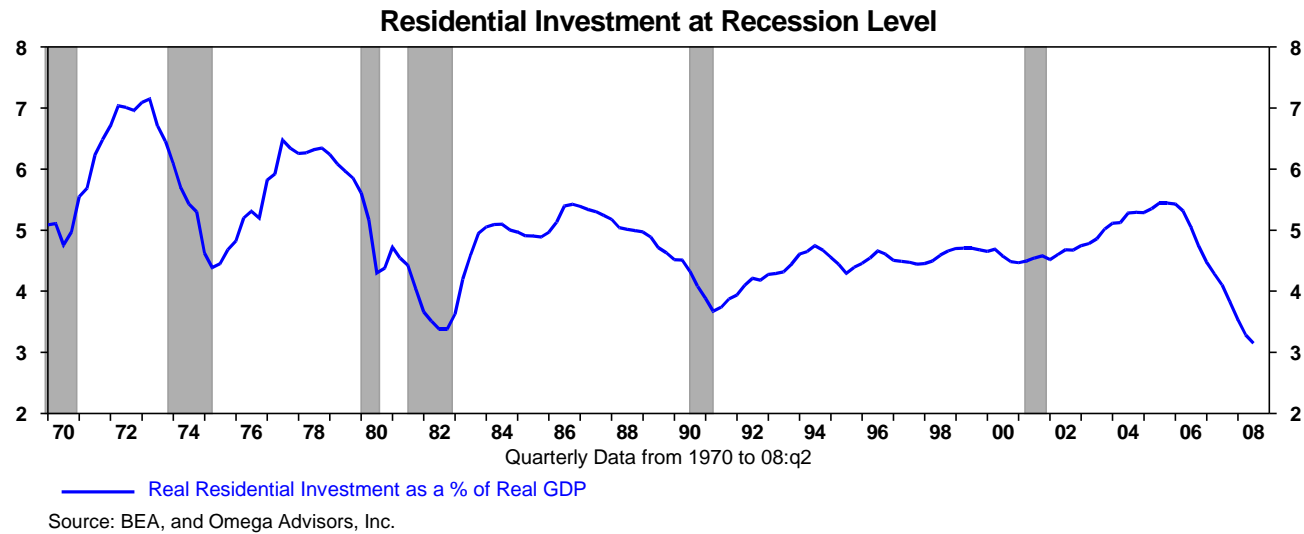
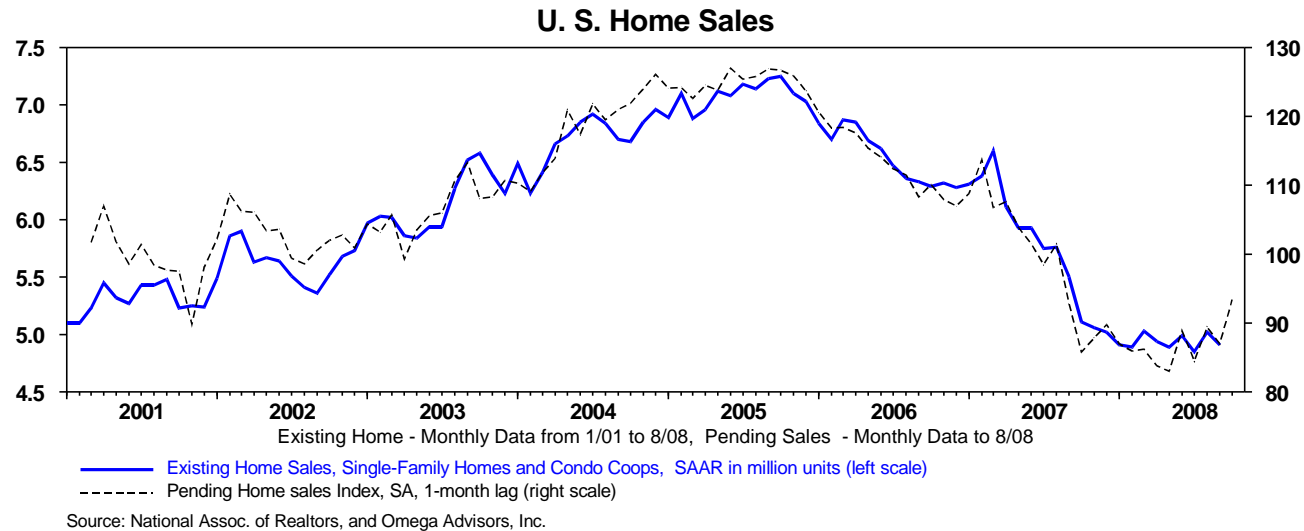


Exhibit 9

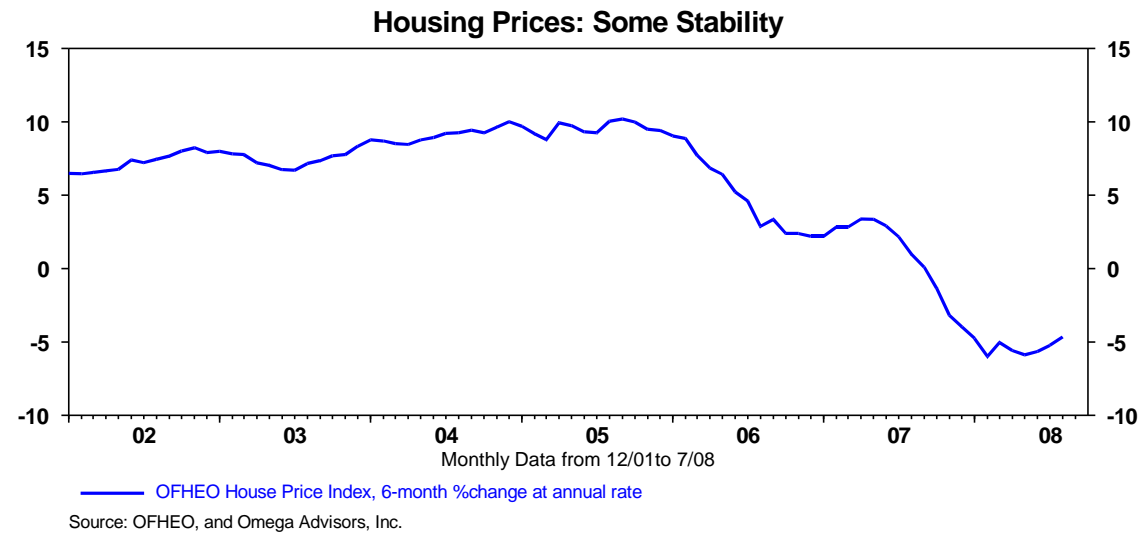
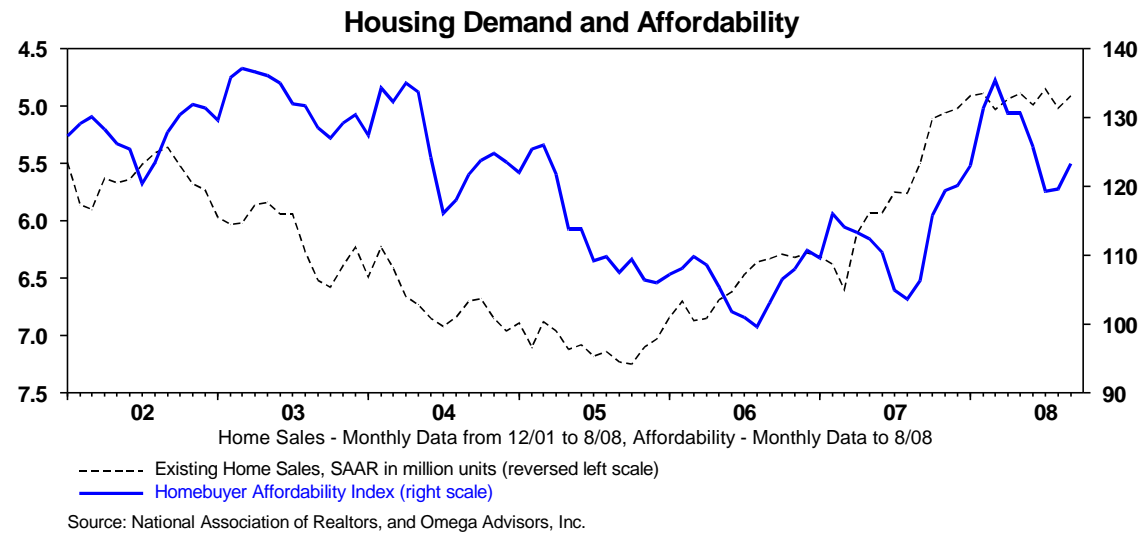
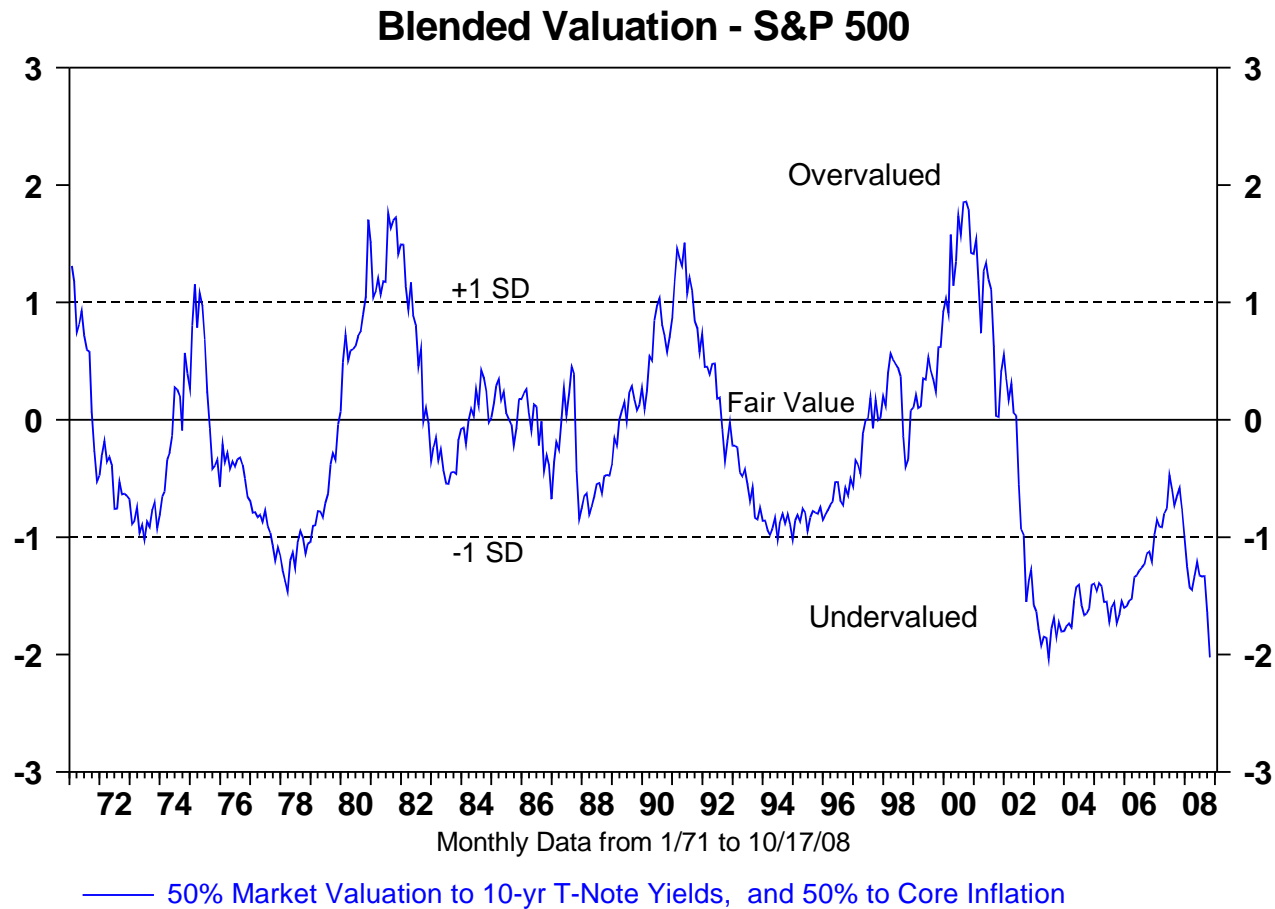


Exhibit 10



Source: FRB, BLS, Standard & Poor's, and Omega Advisors, Inc.

Exhibit 11

S&P 500 P/E and Inflation (a)

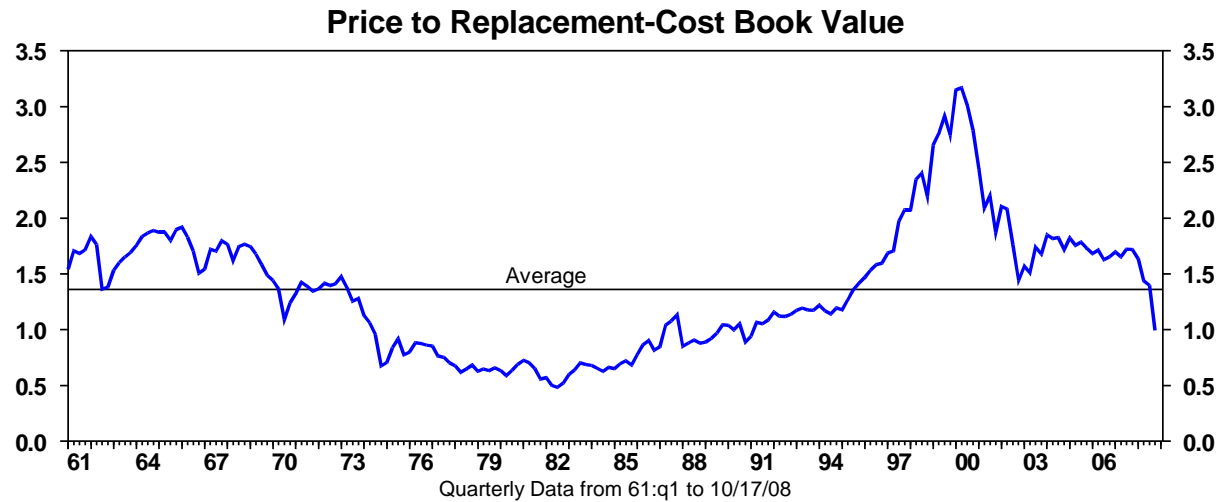
CPI	
<u>(Y/Y% change)</u>	<u>P/E Ratio</u>
<1%	18.42x
1% to 3%	17.14
3% to 5%	15.15
5% to 7%	12.50
>7%	8.70
Average (1960 to 2006)	14.80x
S&P 500 (b)	11.9x

(a) S&P 500 P/E on 12-month forward operating earnings

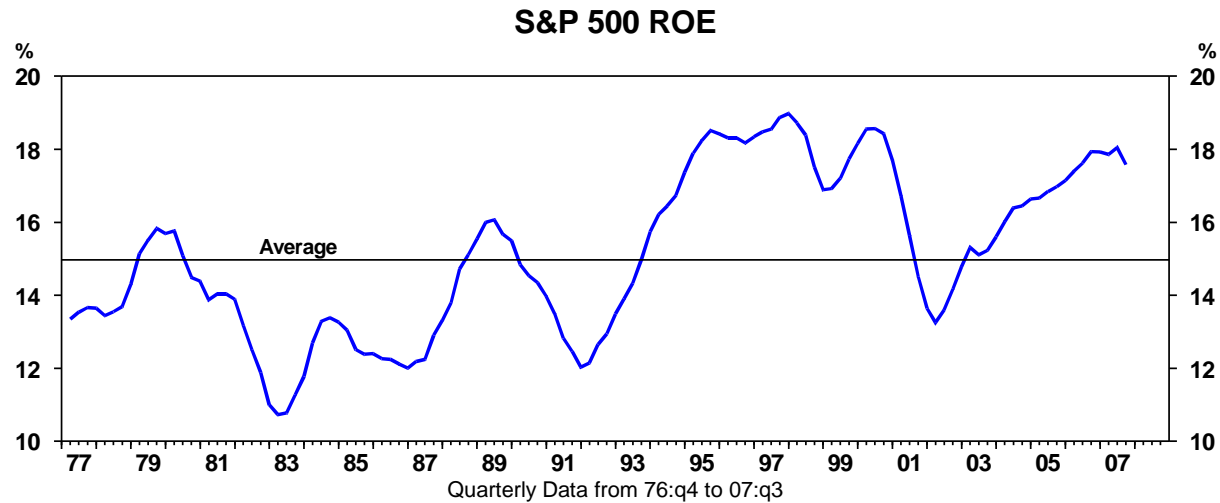
(b) As of October 17, 2008. 12-month forward operating earnings of \$79

Source: BLS, Standard & Poor's, Thomson Financial, and Omega Advisors, Inc.

Exhibit 12



Source: Standard & Poor's, BEA, and Omega Advisors, Inc.



Source: Thomson Financial, Standard & Poor's, and Omega Advisors, Inc.

Exhibit 13

S&P 500 Companies Excluding Financials

<u>Dividend Yield Higher Than 10-Yr T-Note Yield</u>			
	<u>% of Companies</u>		<u>% of Companies</u>
2008 (a)	21.2		
2007	6.6	1993	5.0
2006	1.7	1992	0.9
2005	4.8	1991	1.0
2004	5.5	1990	4.0
2003	5.6	1989	2.0
2002	10.1	1988	3.4
2001	3.6	1987	3.2
2000	3.1	1986	5.4
1999	4.7	1985	3.0
1998	3.8	1984	1.9
1997	2.2	1983	3.5
1996	3.6	1982	7.7
1995	4.5	1981	2.4
1994	2.3	1980	5.7

(a) As of October 17, 2008

Source: Standard and Poor's, Factset, and Omega Advisors, Inc.

Exhibit 14

Real Federal Funds Rate at Start of Recession

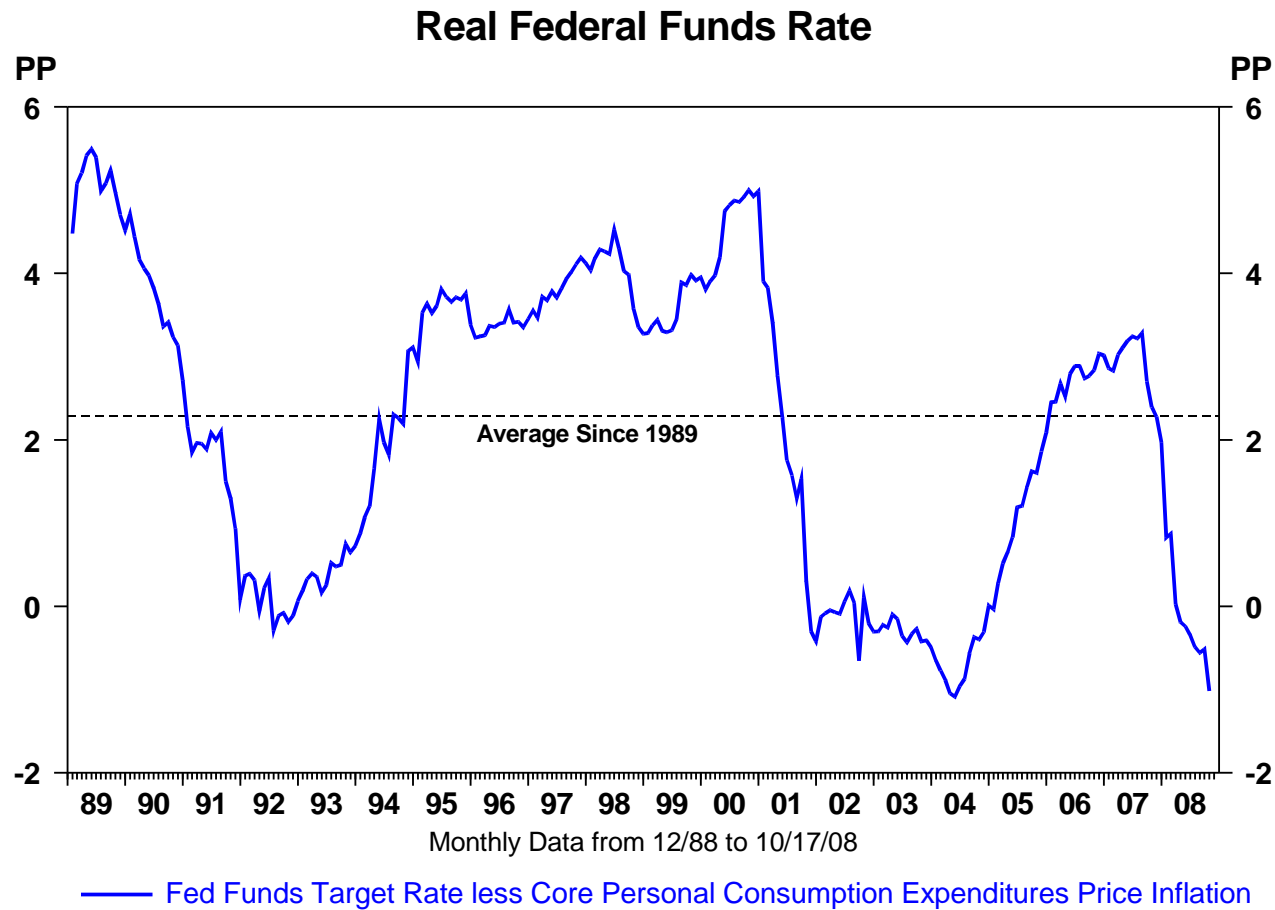
<u>Date Recession Started</u>	<u>Real Federal Funds Rate(a)</u>	<u>Yield Curve(b)</u>
1960: March	1.84%	1.18
1969: Nov	3.19	0.94
1973: Oct	5.73	0.93
1979: Dec	2.46	0.88
1981: June	9.63	0.96
1990: June	3.05	1.11
2001: March	2.70	1.14
Average	4.09%	1.02
Average excl. 1981 Recession	3.16	
Current (10/17/08)	(0.96)	3.28

(a) Federal funds rate less year-over-year % change in core CPI

(b) 10-year Treasury Note Yield over 6-month Treasury Bills Rate

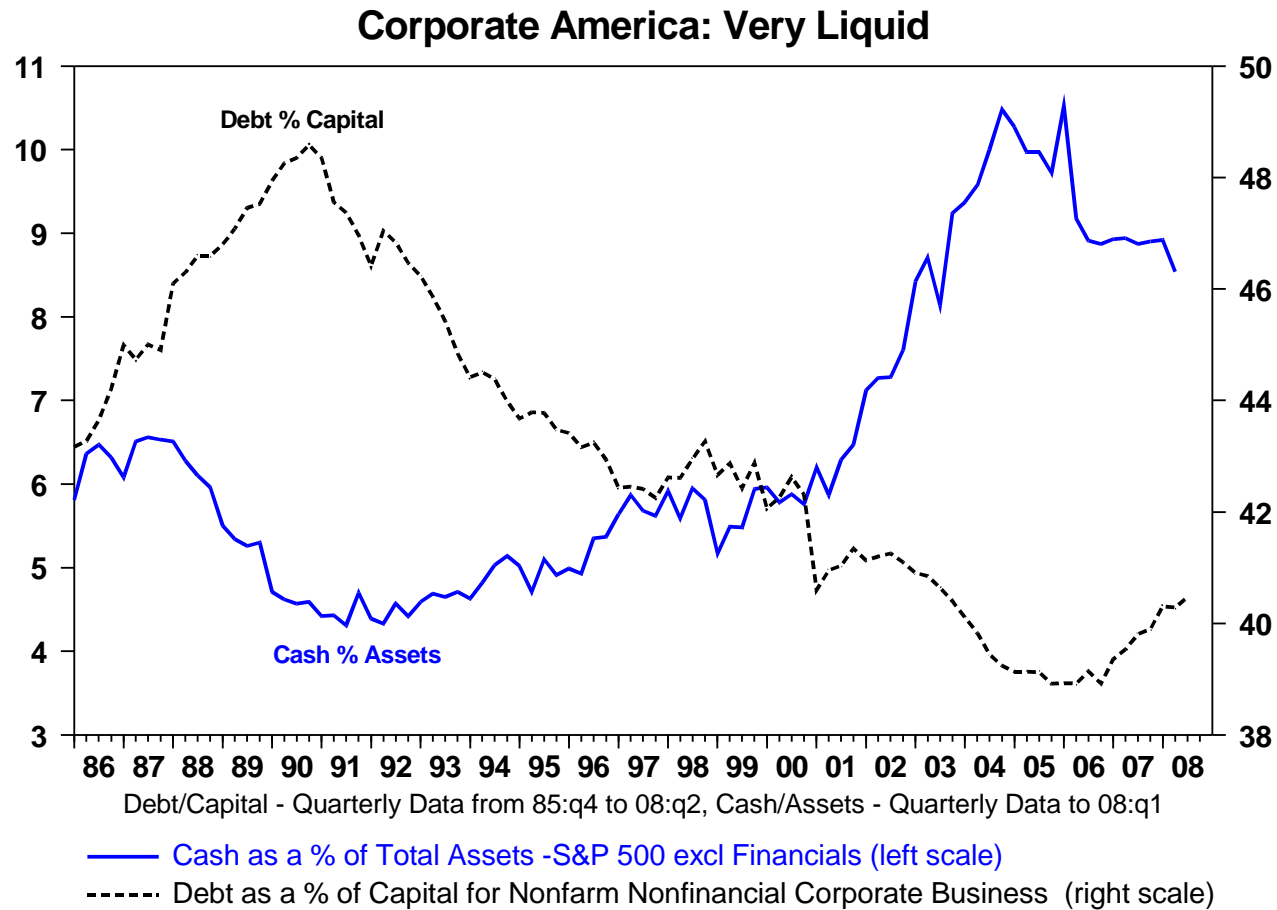
Source: BEA, FRB, BLS, and Omega Advisors, Inc.

Exhibit 15



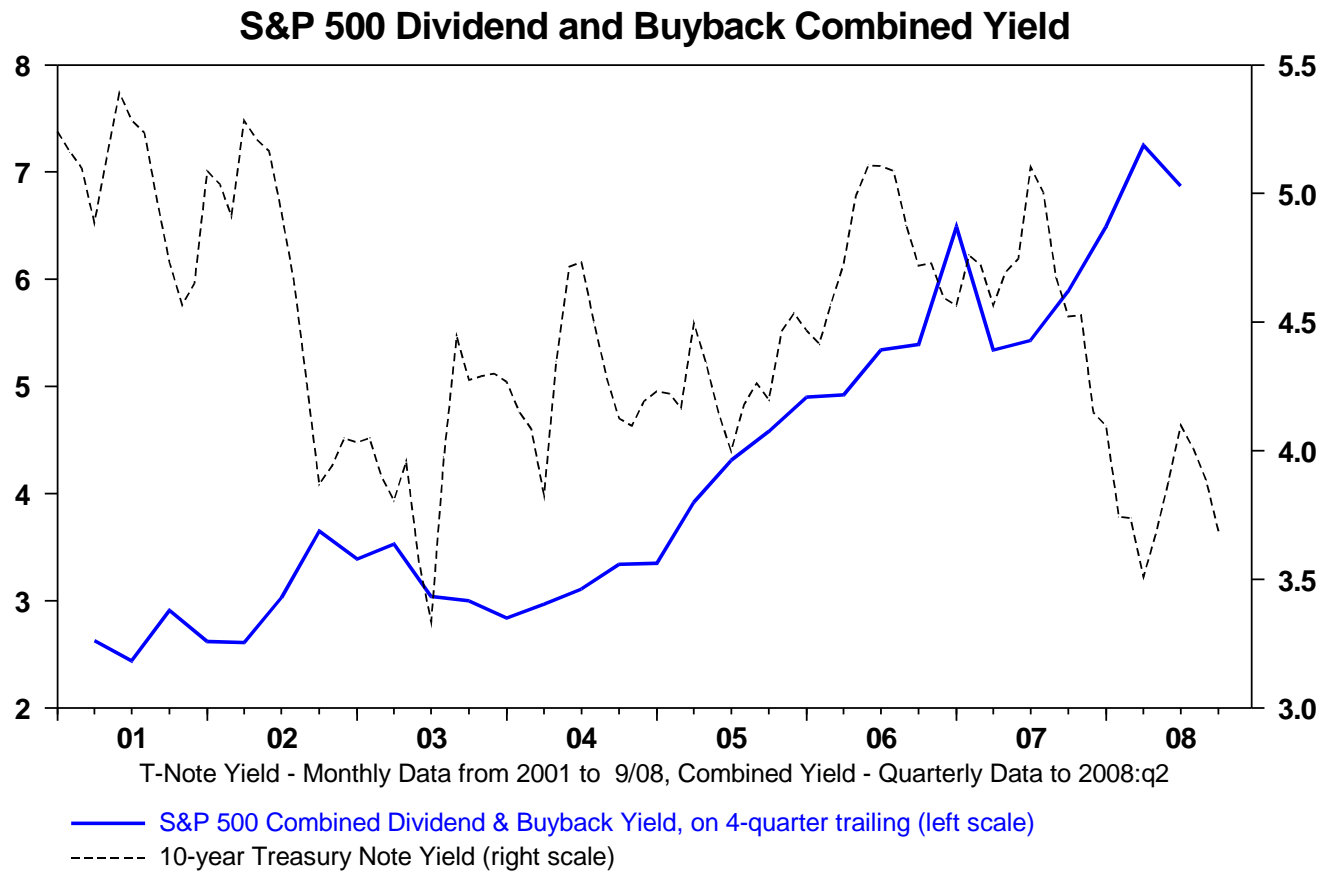
Source: FRB, BEA, and Omega Advisors, Inc.

Exhibit 16



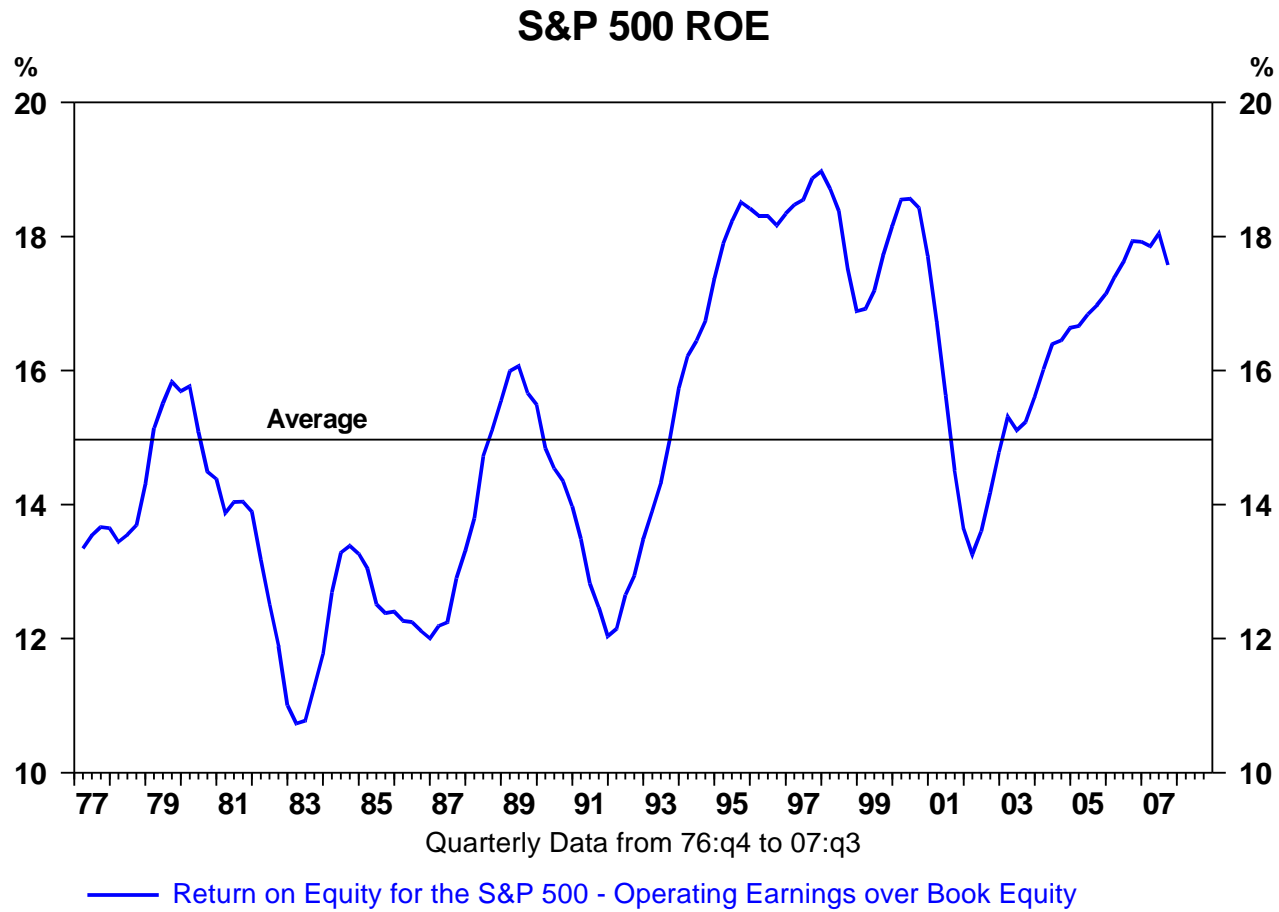
Source: Morgan Stanley Research, Federal Reserve Flow of Funds, and Omega Advisors, Inc.

Exhibit 17



Source: Standard & Poor's, FRB, and Omega Advisors, Inc.

Exhibit 18



Source: Thomson Financial, Standard & Poor's, and Omega Advisors, Inc.

Exhibit 19

Historical S&P Returns

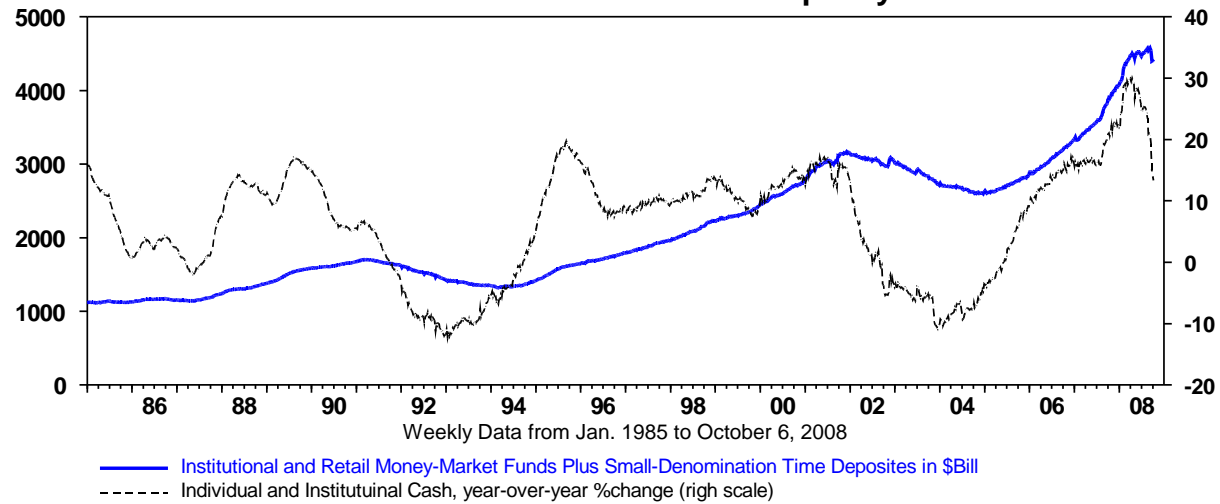
Date of S&P Trough	10-Year Annual Price Return Prior to Trough	10-Year Annual Price Return After Trough	Decade	Decade Average Annual Price Return
Jun-62	8.1	6.9	1930	- 5.3%
Sep-66	5.3	3.2	1940	3.0
Jun-70	2.5	4.6	1950	13.6
Dec-74	-2.1	9.3	1960	4.4
Sep-82	0.9	13.2	1970	1.6
Dec-87	10.1	14.6	1980	12.6
Dec-90	9.2	14.9	1990	15.3
Sep-98	14.1	1.4	2000 to date(a)	-2.6
Dec-02	7.3	?		
Sep-08	1.3	?		

(a) as of October 17, 2008

Source: UBS and Omega Advisors, Inc.

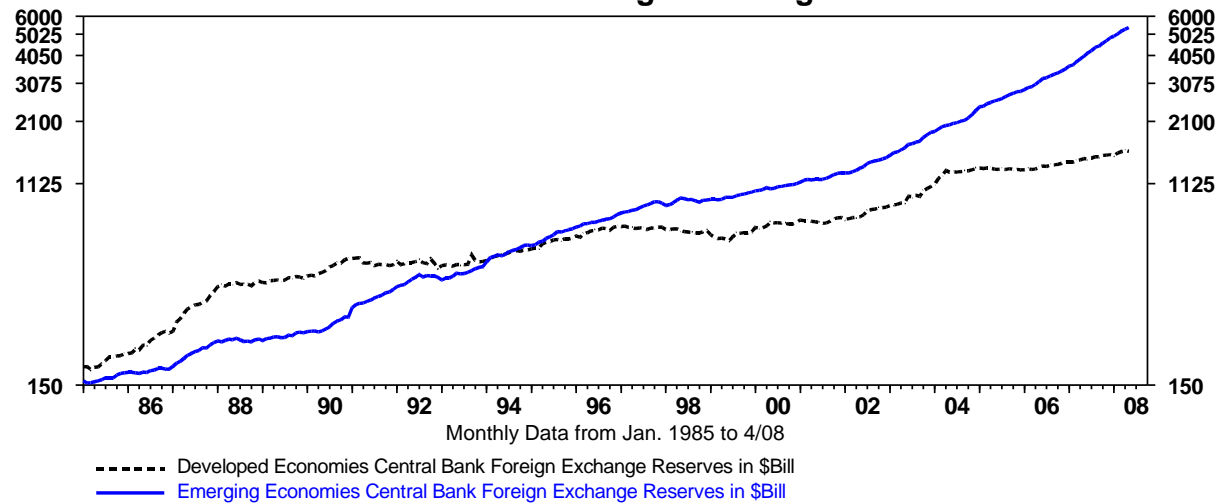
Exhibit 20

Individual and Institutional Liquidity



Source: Federal Reserve Money Stock Measures, and Omega Advisors, Inc.

Global Central Bank Foreign Exchange Reserves



Source: IMF, ISI, and Omega Advisors, Inc.

Exhibit 21

Cash Acquisition Activity

		Pre-Merger	Value					
	Buyer	Price	\$/shr	Premium	Date	Consideration	Cash (\$mm)	Total Value
ATMEL CORP	ONNN, MCHP	\$3.28	\$5.00	52.44%	10/2/2008	cash	\$2,019	\$2,019
ALPHARMA INC-CLASS A	KG	\$24.04	\$37.00	53.91%	9/12/2008	cash	\$1,600	\$1,600
UST INC	MO	\$54.00	\$69.50	28.70%	9/4/2008	cash	\$11,612	\$11,612
SCIELE PHARMA INC	4507 JP	\$19.27	\$31.00	60.87%	9/2/2008	cash	\$1,400	\$1,400
IKON OFFICE SOLUTIONS INC	RICOJ	\$15.56	\$17.25	10.86%	8/27/2008	cash	\$1,617	\$1,617
LONGS DRUG STORES CORP	CVS	\$54.04	\$71.50	32.31%	8/13/2008	cash	\$2,900	\$2,900
UNIONBANCAL CORPORATION	8306 JP	\$58.18	\$73.50	26.33%	8/12/2008	cash	\$3,500	\$3,500
IMCLONE SYSTEMS	LLY	\$46.44	\$70.00	50.73%	7/31/2008	cash	\$6,500	\$6,500
PHILADELPHIA CONS HLDG CO	Tokio Marine Holdings	\$35.55	\$61.50	73.00%	7/23/2008	cash	\$4,700	\$4,700
GENENTECH INC	ROCHE Holdings	\$81.82	\$89.00	8.78%	7/21/2008	cash	\$43,700	\$43,700
BARR PHARMACEUTICALS INC	TEVA IT	\$46.82	\$66.50	42.03%	7/17/2008	cash + shares	\$4,342	\$7,460
ALPHA NATURAL RESOURCES INC	CLF	\$94.92	\$112.62	18.65%	7/16/2008	cash + stock	\$1,567	\$10,000
REPUBLIC SERVICES INC	WMI	\$27.90	\$37.00	32.62%	7/14/2008	cash	\$6,730	\$6,730
ANHEUSER-BUSCH COS INC.	INB BB	\$52.58	\$70.00	33.13%	7/11/2008	cash	\$52,000	\$52,000
HERCULES INC	ASH	\$16.66	\$23.01	38.12%	7/11/2008	cash + shares	\$2,096	\$3,300
ROHM AND HAAS CO	DOW	\$44.83	\$78.00	73.99%	7/10/2008	cash	\$15,000	\$15,000
APPLIED BIOSYSTEMS INC	IVGN	\$32.44	\$38.00	17.14%	6/12/2008	cash + stock	\$3,015	\$6,700
HILB ROGAL & HOBBS CO	WSH	\$30.89	\$46.00	48.92%	6/9/2008	cash	\$1,700	\$1,700
W-H ENERGY SERVICES INC	SII	\$85.54	\$93.55	9.36%	6/3/2008	cash + stock	\$3,000	\$3,000
CNET NETWORKS INC	CBS	\$7.95	\$11.50	44.65%	5/14/2008	cash	\$1,800	\$1,800
DRS TECHNOLOGIES INC	FNC IM	\$63.07	\$81.00	28.43%	5/13/2008	cash	\$4,000	\$4,000
ELECTRONIC DATA SYSTEMS CORP	HPQ	\$18.86	\$25.00	32.56%	5/12/2008	cash	\$13,900	\$13,900
WRIGLEY WM JR CO	Mars	\$62.45	\$80.00	28.10%	4/28/2008	cash	\$23,000	\$23,000
SAFECO CORP	Liberty Mutual Group	\$45.23	\$68.25	50.90%	4/23/2008	cash	\$6,200	\$6,200
NATIONWIDE FINANCIAL SERV- A	Nationwide Mutual Insurance	\$37.93	\$52.25	37.75%	3/10/2008	cash	\$2,400	\$2,400
TAKE-TWO INTERACTIVE SOFTWARE	ERTS	\$17.36	\$26.00	49.77%	2/24/2008	cash	\$2,000	\$2,000
CHOICEPOINT INC	REL LN	\$33.66	\$50.00	48.54%	2/21/2008	cash	\$3,500	\$3,500
BEA SYSTEMS INC	ORCL	\$13.62	\$19.38	42.25%	10/12/2007	cash	\$8,500	\$8,500
Avg Premium				38.39%		Total	\$234,299	\$250,738

source: Bloomberg news, terms as announced, updated, may not reflect final revisions

Exhibit 22

Recessions and the Stock Market

<u>Recessions</u>	<u># Months</u>	<u>Real GDP</u>	<u>S&P 500 Price Performance (%)</u>		<u># Months of S&P 500</u>
	<u>Peak - Trough</u>	<u>Growth (%)</u>	<u>Recession</u>	<u>Mkt Trough - Rec.End</u>	<u>Peak - Trough</u>
Nov 1948 - Oct 1949	11	-1.7	8.7	18.4	12
Jul 1953 - May 1954	10	-2.6	17.9	28.5	8
Aug 1957 - Apr 1958	8	-3.2	-3.9	11.4	17
Apr 1960 - Feb 1961	10	-0.5	16.7	21.3	15
Dec 1969 - Nov 1970	11	-0.2	-5.3	19.9	19
Nov 1973 - Mar 1975	16	-3.1	-13.1	33.8	21
Jan 1980 - Jul 1980	6	-2.2	6.6	23.9	--
Jul 1981 - Nov 1982	16	-2.6	5.8	35.3	21
Jul 1990 - Mar 1991	8	-1.3	5.4	27.0	3
Mar 2001 - Nov 2001	8	0.3	-1.8	18.0	31
Average	10.4	-1.7	3.7	23.8	15.3
Jan 08 to date(a)			-31.8		
Mar 08 to date(a)			-28.9		
Jun 08 to date(a)			-26.5		
Sept 08 to date(a)			-19.4		
Aug 1929 - Mar 1933	43	-26.5	-79.3	30.6	

(a) As of October 17, 2008

Source: NBER, BEA, Standard and Poor's, and Omega Advisors, Inc.

Exhibit 23

Historical Bear Market Cycles

Peak		Trough		% Change Peak to Trough	Length of Peak to Trough (months)	P/E Contraction Peak to Trough
<u>Date</u>	<u>S&P 500</u>	<u>Date</u>	<u>S&P 500</u>			
Jun 1948	17.06	Jun 1949	13.55	(20.6)%	12	(38.4)%
Dec 1952	26.59	Aug 1953	22.71	(14.6)	8	(18.3)
Jul 1956	49.74	Dec 1957	39.42	(20.7)	17	(15.3)
Jul 1959	60.62	Oct 1960	52.30	(13.7)	15	(10.3)
Dec 1961	72.64	Jun 1962	52.32	(28.0)	6	(33.8)
Jan 1966	94.06	Sep 1966	73.20	(22.2)	8	(26.7)
Nov 1968	108.37	Jun 1970	72.72	(32.9)	19	(31.2)
Dec 1972	119.12	Sep 1974	62.28	(47.7)	21	(63.2)
Dec 1976	107.46	Mar 1978	86.90	(19.1)	15	(26.6)
Nov 1980	140.52	Aug 1982	102.42	(27.1)	21	(24.7)
Aug 1987	336.77	Dec 1987	223.92	(33.5)	4	(41.2)
July 1990	368.95	Oct 1990	295.46	(19.9)	3	(20.1)
July 1998	1186.75	Aug 1998	957.28	(19.3)	1	(19.3)
Mar 2000	1527.46	Oct 2002	776.77	(49.1)	31	(14.9)
Average				(26.3)%	12.9	(29.3)%
Oct 2007	1565.15	Oct 2008	899.22	(42.6)	12.0	(41.0)*

*Excluding financial sector write-downs

Source: Standard and Poor's, UBS Investment Research, and Omega Advisors, Inc.

Exhibit 24

Earnings Growth and P/E Expansion in a Bull Market

S&P 500				Market Advance Attributable to	
<u>Date of Trough</u>	<u>Date of Peak</u>	<u>Duration T to P</u>	<u>% Ch T to P</u>	<u>Earnings Growth</u>	<u>P/E Expansion</u>
Oct 1960	Dec 1961	14 months	38.9%	(6)%	106%
Jun 1962	Jan 1966	43	79.8	71	29
Sep 1966	Nov 1968	26	48.0	6	94
Jun 1970	Dec 1972	30	63.8	29	71
Sep 1974	Dec 1976	27	72.5	13	87
Mar 1978	Nov 1980	32	61.7	62	38
Aug 1982	Aug 1987	60	228.8	12	88
Dec 1987	Jul 1990	31	64.8	48	52
Oct 1990	Jul 1998	93	301.7	43	57
Aug 1998	Mar 2000	19	59.6	29	71
Average		37.5	102%	31%	69%
Oct 2002	Oct 2007 (a)	60 months	101.5%	96%	3%

(a)As of October 9, 2007

Source: Standard & Poor's, Thomson Financial, and Omega Advisors, Inc.

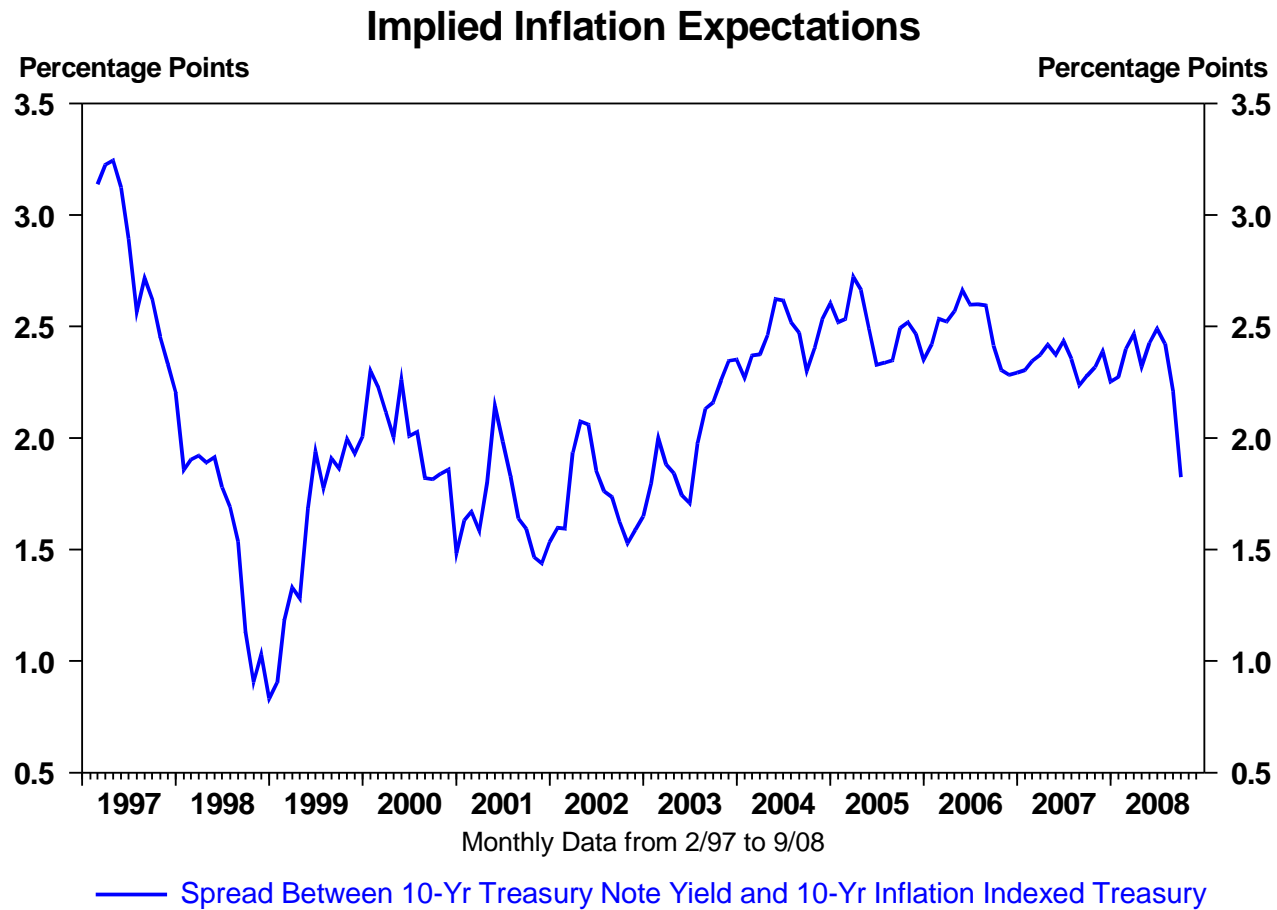
Exhibit 25

Stocks vs. Other Assets

				<u>% Change</u>	
	<u>3/24/2000</u>	<u>10/9/2007</u>	<u>10/17/2008</u>	<u>3/24/00 to Present</u>	<u>3/24/00 to 10/9/07</u>
Financial Assets					
S&P 500	1527.46	1565.15	940.55	-38.4%	2.5%
12M Trailing Operating Earnings	51.68	91.20	74.84	44.8%	
P/E Ratio	29.6	17.2	12.6	-57.5%	
Dividend Yield	1.1	1.7	3.1	178.9%	
10-Year T-Note Yield	6.2	4.7	3.9	-36.6%	
Commodities					
Gold	285.1	749.4	787.7	176.3%	
Silver	5.1	13.8	9.3	83.1%	
Copper	80.5	361.3	18.0	-77.7%	
Wheat	252.7	858.5	566.3	124.1%	
CRB Raw Ind. Com. Price Index	261.9	507.5	397.2	51.7%	
Crude Oil	28.0	78.8	72.1	157.6%	
Home Price					
Median Home Price (\$thou)	140.5	223.7	201.9 (8/08)	43.7%	
S&P/Case-Shiller Home Price Index (20-metro area composite)	101.95	197.36	166.23 (7/08)	63.1%	
Currencies					
\$/Euro	0.9779	1.4107	1.3410	37.1%	
\$/British Pound	1.5941	2.0377	1.7281	8.4%	
Japanese Yen/\$	106.87	117.13	101.69	5.1%	

Source: Standard and Poor's, Census, Thomson Financial, Bloomberg, and Omega Advisors, Inc.

Exhibit 26



Source: Federal Reserve, Bloomberg, and Omega Advisors, Inc.

Exhibit 27

Stock Market Headwinds

- Frozen credit markets/persistent credit-market stresses
- Financial-sector balance sheets/capital adequacy/bank lending restraints
- Opaque nature of financial-sector balance sheets
- Leveraged consumer/low saving rate/leveraged economy
- Dependence on foreign capital
- Sustained below-trend economic/profit growth owing to financial-sector deleveraging
- European central-bank policies (too tight)
- Emerging-market central bank policies (too easy)
- Federal Reserve policy (confusing at times)
- Limits to fiscal stimulus because of budget deficit
- Home prices
- Shallow cyclical US economic/profit recovery
- Global economy slowing
- Supply constraints, re: crude oil/commodity prices, can bring sticky prices
- Equity-market volatility
- Forced selling by investment companies owing to redemptions
- No leadership rotation in the market
- Senator Obama, taxation, and protectionism
- Black swan risk arising from credit markets dislocations
- Geopolitical risks

Exhibit 28

Key Items to be Watching

- Credit markets, particularly LIBOR
- Housing demand/home prices
- Oil/commodity prices
- US \$
- Inflation
- Leading indicators of economy/employment
- Odds of fiscal stimulus package
- Odds of further Fed rate cuts
- Financial stocks
- Individual stock price response to disappointing earnings

Exhibit 29

S&P 500

	Market Value <u>\$ Bill</u>	Operating Earnings <u>\$ Bill</u>	Dividends <u>\$ Bill</u>	Buybacks <u>\$ Bill</u>	Buyback over <u>Dividend</u>	Dividend & Buyback <u>Yield</u>	Comb. Yield less 10-yr <u>T-Note Yield</u>
2008:1H(a)	\$11,162.57	\$2,936.06	\$123.66	\$201.81	1.63	6.87%	2.98 pp
2007	12,867.85	731.38	245.69	589.12	2.40	6.49%	2.23
2006	12728.86	790.10	224.25	431.83	1.93	5.15%	0.52
2005	11254.54	694.43	201.84	349.23	1.73	4.90%	0.41
2004	11288.60	630.20	181.02	197.47	1.09	3.35%	-0.82
2003	10285.83	505.36	160.65	131.05	0.82	2.84%	-1.45
2002	8107.41	423.30	147.81	127.25	0.86	3.39%	-0.62
2001	10463.39	350.90	142.22	132.21	0.93	2.62%	-2.15

(a) As of the second quarter-end of 2008; dividend and buyback yield based on four-quarter trailing total of \$dividend and \$buyback
pp - percentage points

Source: Standard & Poor's Index Services, FRB, and Omega Advisors, Inc.