

GREENWOOD CAPITAL



Insights

The Quarterly Publication of Greenwood Capital

(877) 369-5390 (toll free)

www.greenwoodcapital.com

April 2004

The Stock Market

After a strong start in January and February, the stock market's advance cooled in March. Despite falling into negative territory in late March, the market ended the quarter on a strong note and managed to post a positive return. Stocks, as measured by the S&P 500, were up 1.3% (1.7% including dividends) for the quarter ended March 31, 2004.

The breadth of performance in the market narrowed from 2003 but remains impressive, with 312 out of 500 stocks in the S&P in positive territory and over half of the companies beating the index's performance. Of the ten economic sectors in the S&P 500, six were up for the quarter, with five out of ten outperforming the index. The Consumer Staples group was the best performing sector during the first quarter of 2004, up over 5% after severely underperforming the market in 2003. Energy, Financials, Telecom and Utilities rounded out the top five performing sectors. After posting the best performance in 2003, the Information Technology sector lagged the market, declining 2.6% on price basis.

The equity market was choppy in the first quarter as news on the economy, the election and geopolitical events continued to provide mixed signals to investors. This trading pattern will likely continue until the economic recovery is confirmed through increased job growth in the U.S. However, once this occurs, the markets will have to begin to discount higher interest rates in the future as the Federal Reserve begins to remove some of the monetary stimulus from the system.

The Bond Market

Economic releases became more balanced during the quarter. The markets have begun to focus on the employment situation in the U.S., which has become an obvious platform of debate for our Presidential candidates. Given some of the new founded economic concerns, interest rates crept lower during the quarter with 10-year Treasury notes ending the period yielding 3.83%.

Historically, the Federal Reserve has remained on the sidelines as election day approached, so they are likely to keep the Fed Funds target rate around current levels until more defined inflationary pressures are evident. We still believe the most prudent position for bond investors is in shorter maturity issues that tend to provide safety during rising interest rates, which we feel are eminent.

Market Indicators

TOTAL RETURN THROUGH 3/31/04

	52-Week Change	Changes Since 12/31/03
S&P 500	35.12%	1.69%
DJIA	32.56%	-0.43%
NASDAQ	49.21%	-0.35%
RUSSELL 1000	36.38%	1.90%

Source: Bloomberg

Economic Outlook

The economic outlook continued to improve during the first quarter of 2004. In spite of terrorism and political rhetoric, the economy is stronger. Growth as measured by Gross Domestic Product (GDP) should be in the 4% range, similar to the rate of the final quarter of last year. Any threat of a return to recession has passed, and we are witnessing a more positive picture being fueled by both the consumer and business.

Even though the economy is on track for a good year, the job market has not rebounded as rapidly as we would expect. The recovery, which began in November 2001, has been driven by productivity rather than employment. Productivity gains, which were the result of the technology bubble, have allowed the business sector to grow output without having to add workers.

Improvements in productivity are great, but growth cannot continue forever without new employees, and we are now seeing signs of employment picking up. Unemployment claims have fallen to a three year low and the large layoff announcements have virtually stopped. Payroll employment has also improved, a trend which we expect to continue.

One benefit of the productivity driven recovery is the lack of inflation. This absence of inflation has allowed the Federal Reserve to keep interest rates low which will keep financial conditions conducive to growth.

Looking forward, growth in the economy should continue. Businesses are bumping up on inventory and productivity restrictions and this should result in an improvement in hiring. As the job market improves along with the continuation of the favorable tax and interest rate environment, growth should follow. We are also seeing the benefits of a weaker dollar on our export sector which will also contribute to our economic outlook.

Management Team Profile

MICHELLE B. KENNEDY



Michelle B. Kennedy, a Vice President of **Greenwood Capital Associates, LLC**, joined GCA in June 1991. Mrs. Kennedy's responsibilities include overseeing the IT Department, the compliance of the firm and calculating the firm's performance composites. Mrs. Kennedy is a graduate of Clemson University (B.S. and M.B.A.). She is a member and past President of the Greenwood Kiwanis Club and currently serves on the Self Regional Healthcare Foundation Board and the YMCA Board. Mrs. Kennedy has also served as past President and Secretary of a national peer investment organization, Advent User Group.



This newsletter represents the opinions of Greenwood Capital Associates, LLC and is for informational purposes only. It is not intended as a basis for the implementation of any particular investment strategy or any decision to purchase or sell.