



GERALD L. RAY
& ASSOCIATES, LTD.
Investment Advisors

THE RAY REPORT

October 26, 2009

Fourth Quarter Signals

The fourth quarter will be significant in terms of providing tangible evidence as to the extent and nature of the recovery and its effect on earnings. A continued recovery can justify the rebound in stocks and set the stage for higher valuations and further increases in stock prices.

There are a number of stocks and industries which can provide a clearer signal of the future of the economy and the stock market. These "tells" are important barometers of future economic activity and can provide fuel for the next leg upward. Some of these stocks we hold and some we do not, however, the performance of these companies will help signal the short and intermediate term direction of stocks and the world economy.

Technology- The importance of technology stocks is two-fold. Companies like IBM and Cisco will show whether the long-awaited corporate replacement/inventory cycle has come back to life driven in part by the introduction of Microsoft Windows 7 and a rationalization of chip capacity. Investors will also look at companies like Apple, RIMM and Best Buy to determine the role of the consumer in any recovery.

Capital Goods- Stocks like Caterpillar and Terex were destroyed as

capital and construction spending all but dried up except for Asia. There are signs that there may be some recovery in spending despite the dubious effects of the Stimulus Bill and even as commercial real estate remains difficult. Stocks like Honeywell, United Technology and General Electric are well off their lows and will provide great indicators of future economic activity around the world and help quantify the extent of any broad based recovery.

Healthcare- Given the proposed changes in the healthcare system, it is extremely difficult to use healthcare stocks as an indication of the economy at large. I am inclined to believe that any legislation will look more like insurance reform rather than broad based healthcare legislation and that in

Market Performance For The September 2009 Quarterly Period

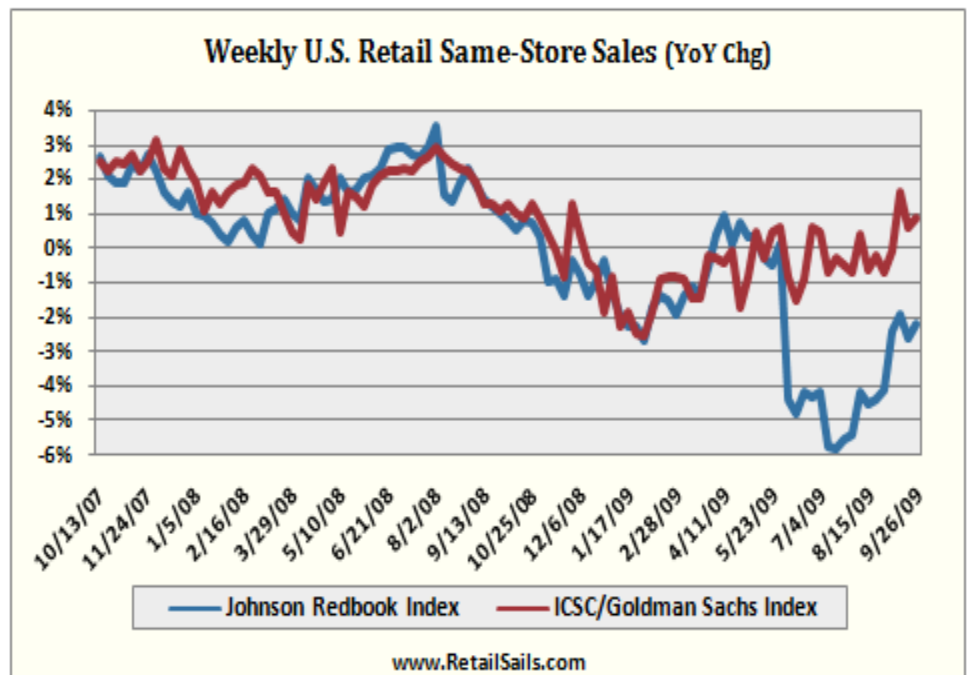
<i>Dow Jones Industrials</i>	15.73%
<i>Standard & Poor's 500</i>	15.56%
<i>Russell 1000 Growth</i>	13.49%

all likelihood that HMOs and insurance companies will be more affected initially than pharmaceutical and biotech companies. Companies involved in therapeutic areas remain flushed with cash and could look to purchase future growth through merger and acquisition activity once a framework of the legislation is agreed upon.

Financial Companies- The financial companies provide broad indications of the economy through metrics like corporate loan demand

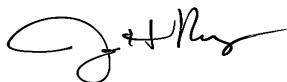
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Consumer Shows Signs of Life



housing mortgage numbers and credit card charge-offs. The confidence in these companies and their willingness and ability to pay back TARP and other forms of government assistance will provide important indicators for the economy over the next six to twelve months.

Sincerely,



Joseph H. Ray,
President

Perspective

Up from the bottoms of March 2009 or down from the tops of 2007, perspective is one of those things that can be measured by a number of factors all of which are important yet none of which are solely determinative in assessing how we feel about a particular situation.

Perspective is time. When did I first enter the stock market? Have I made a lot of money over the last twenty years or have the liquidity driven problems of 2007-2008 forced me to reassess my desire and belief in the long term growth of equities? Do I have time for my investments to rebound or do I need cash now?

Perspective is risk. For the woman or man who lost their job and can-

not avoid even the smallest of missteps, today's historically low bond yields still represent safety and security in uncertain times. For others, these low interest rates symbolize an opportunity to access low cost capital, a time to get aggressive with one's portfolio or to expand their business or their equity holdings.

Perspective is experience. It is the ability to talk to an advisor at a firm that has been there before in 2001, 1994, 1991, 1987 and earlier. It is the experience to know that valuations can get too low and that the time to sell out is not when the sentiment is at record lows. It is the experience to know that cyclical stocks will recover before the economy will and so will a portfolio.

Perspective is familiarity and trust. We would like to thank you all for your trust during an uncertain time and look forward to the opportunities created in the current environment.

TEMPORARY WAIVER OF REQUIRED MINIMUM DISTRIBUTION RULES FOR 2009

For 2009, you are not required to take a minimum distribution from your traditional IRA. This waiver applies to IRA participants as well as to beneficiaries. The waiver also applies to you if you turn 70 ½ in 2009 and delay your 2009 required minimum distribution until

April 1, 2010. The waiver does not apply to minimum required distributions for 2008, even if you turned 70 ½ in 2008 and choose to take the 2008 required minimum distribution by April 1, 2008.

Always consult your tax advisor for any matter concerning your Federal Income Tax.

Do You Have a 401-k That Needs Reviewing?

Gerald L. Ray & Associates, Ltd. offers a simple and cost-effective solution for small to mid-size companies looking to improve their current 401(k) plan. Our program is designed to provide a low cost, investor friendly retirement plan that focuses on service and performance. Our basic plan offers five models built with exchange traded funds and allows participants access to our expert portfolio managers.

We seek to improve your company's current 401(k) plan by ensuring increased employee participation and contributions. We will also provide continuing investor education to all plan participants to ensure each participant's financial goals are consistent with their investment strategy.

If you are interested in learning more, please contact Michael Beck at extension 136 or email mrbeck@glrassoc.com

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The Ray Report is published and mailed to each client on a quarterly basis