











## The Economy

The Blue Chip Economic Indicators survey in May called for GDP in the U.S. to decline by 2.8% in '09, vs. 2.6% last month. The economists polled expect 1.9% growth in 2010, vs. 1.8% last month. Nearly 80% believe total housing starts are at or near a bottom. The process of cleaning up the financials is approximately 21 months old. The "stress tests" conducted at the largest troubled banks revealed a \$75 billion shortfall in capital as of the start of May. Since the first week in May, the banks have secured \$56 billion in new capital, according to Treasury Secretary Timothy Geithner.

<b>Consumer Confidence</b> <b>54.9</b> (May) 39.2 (Apr) 	<b>Crude Oil (Mo.-End)</b> <b>\$66.31</b> (May) \$51.12 (Apr) 	<b>Personal Spending</b> <b>-0.1%</b> (Apr) -0.2% (Mar) 	<b>ISM Manufacturing</b> <b>42.8</b> (May) 40.1 (Apr) 	<b>ISM Non-Manufacturing</b> <b>44.0</b> (May) 43.7 (Apr) 
<b>Gold (Mo.-End)</b> <b>\$978.80</b> (May) \$891.20 (Apr) 	<b>Natural Gas (Mo.-End)</b> <b>\$3.84</b> (May) \$3.37 (Apr) 	<b>Factory Orders</b> <b>0.7%</b> (Apr) -0.9% (Mar) 	<b>New Home Sales</b> <b>352,000</b> (Apr) 356,000 (Mar) 	<b>Existing Home Sales</b> <b>4.68M</b> (Apr) 4.57M (Mar) 

## The Stock Market

### Indices (Source: Bloomberg)

S&P 500	5.6%	-32.6%
DJIA	4.5%	-30.4%
Nasdaq 100	3.1%	-28.9%
S&P 400	2.7%	-33.5%
Russell 2000	3.0%	-31.8%
MSCI World (ex U.S.) (USD)	12.6%	-36.2%
MSCI Emerging Markets (USD)	17.1%	-34.7%

### Growth/Value (Source: Bloomberg)

S&P 500 Citigroup Growth	4.9%	-29.0%
S&P 500 Citigroup Value	6.4%	-36.3%
S&P Midcap 400/Citigroup Growth	3.5%	-32.9%
S&P Midcap 400/Citigroup Value	1.9%	-34.1%
Russell 2000 Growth	3.9%	-31.6%
Russell 2000 Value	2.1%	-32.2%

**May 12-mo.** Eighty-six out of the 134 subsectors that comprise the S&P 500 posted a gain in May, down from 121 last month. In May, the dividend-payers (362) in the S&P 500 (equal weight) posted a total return of 5.89%, vs. 7.12% for the non-payers (138), according to Standard & Poor's. Year-to-date, the payers are down 1.61%, vs. a gain of 24.12% for the non-payers. For the 12-month period ended May '09, payers were off 38.89%, vs. a decline of 31.57% for the non-payers. The number of dividend increases so far in 2009 totaled 77. That significantly lagged the 141 increases registered at this point in 2008. The number of companies that decreased their dividend totaled 54, up from 14 a year ago. Commodities registered their largest one-month gain in May (aided by a 6.6% drop in the \$) since September of 1990, when Iraq invaded Kuwait, according to Standard & Poor's. The S&P GSCI Index jumped 19.67% in May. The index gained 22.94% in September of 1990. The following shows how the various commodities that comprise the index have performed (May & 12-month): *Energy* (25.44% & -5.39%); *Industrial Metals* (5.82% & -44.61%); *Precious Metals* (11.41% & 4.79%); *Agriculture* (12.37% & -22.82%); *Livestock* (-0.99% & -31.48%); and *Soft* (9.53% & -6.52%). The price of crude oil surged 101.8% over the past 75 trading days through 6/1.

<b>U.S. Dollar</b> (U.S. Trade-Weighted Basket) <b>-6.6%</b> (May) -4.2% (Y-T-D) \$ was up 7.8% in '08 	<b>CBOE Total Equity Options</b> (# of contracts in millions) May: <b>58.4</b> (-9.2%) Apr: 64.3 (+10.7%) Record 7/08: 67.2 million 	<b>Short Interest (NYSE)</b> May 15: <b>15.1B</b> (-3.8%) Apr 15: 15.7B (-3.1%) Record 7/08: 18.61 billion shares 	<b>VIX Volatility Index</b> (S&P 500) <b>28.92</b> (5/29) 36.50 (4/31) Record 11/20/08: 80.86 
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## The Bond Market

Index (Source: Barclays)	May	12-mo.	Yield
U.S. Treasury: Intermediate	-0.66%	7.12%	1.85%
GNMA 30 Year	0.16%	8.61%	4.31%
Municipal Bond (22+)	2.63%	-2.50%	5.59%
U.S. Aggregate	0.73%	5.36%	4.08%
Intermediate Corporate	3.51%	1.15%	6.00%
U.S. Corporate High Yield	6.73%	-7.77%	13.71%
Global Aggregate	3.57%	2.42%	3.45%
Global Emerging Markets	5.90%	-4.79%	8.40%

The yield on the 10-Yr. T-Bond jumped 34 basis points in May closing at 3.46% – 60 basis points below its close (4.06%) on 5/30/08. The story in May was concern over the mounting debt in the U.S. The Obama Administration recently upped its deficit projection for the current fiscal year ending in September from \$1.75 trillion to \$1.84 trillion, according to SmartMoney.com. It bumped up next year's from \$1.17 trillion to \$1.26 trillion. Last year's deficit totaled \$458 billion. As a result, total sales of government bonds with maturities of two years or longer are expected to reach \$2.1 trillion in 2009, up from \$880 billion in 2008, according to Barclays Capital. Net sales, which adjust for maturing debt, could hit \$1.55 trillion this year, up from \$332 billion last year. China is concerned about the safety of its \$768 billion invested in U.S. Treasuries.

<b>Key Rates as of May 29</b> Fed Funds 0-0.25% 2-Yr. T-Note 0.92% 10-Yr. T-Bond 3.46% 30-Yr. Mortgage 5.23% Bond Buyer 40 5.32% (Source: Bloomberg)	<b>Key Yield Spread</b> The spread between the Merrill Lynch High Yield Master II Index and the 10-Yr. T-Bond was 1,070 basis points on 5/29/09, down from 1,251 on 4/30/09. It was 604 on 5/31/08. (Source: Bloomberg)	<b>2009 Debt Issuance thru 4/09</b> (Source: Thomson Financial) <table border="1"> <thead> <tr> <th>Debt Category</th> <th>\$ Amount</th> <th>% change over '08</th> </tr> </thead> <tbody> <tr> <td>Corporate</td> <td>\$637.1 Billion</td> <td>+89.1%</td> </tr> <tr> <td>Convertible</td> <td>\$4.9 Billion</td> <td>-59.9%</td> </tr> <tr> <td>Asset-Backed</td> <td>\$23.1 Billion</td> <td>-67.3%</td> </tr> <tr> <td>Municipal</td> <td>\$121.6 Billion</td> <td>-11.2%</td> </tr> </tbody> </table>	Debt Category	\$ Amount	% change over '08	Corporate	\$637.1 Billion	+89.1%	Convertible	\$4.9 Billion	-59.9%	Asset-Backed	\$23.1 Billion	-67.3%	Municipal	\$121.6 Billion	-11.2%
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## The Investment Climate

Net cash inflows from equity funds totaled \$12.3 billion in 4/09, vs. outflows totaling \$27.1 billion in 3/09, according to the Investment Company Institute. Bond funds had inflows totaling \$28.8 billion, vs. inflows totaling \$19.9 billion in 3/09. Money Market funds had outflows totaling \$23.2 billion, vs. outflows totaling \$77.0 billion in 3/09. Y-T-D thru April, equity fund outflows totaled \$30.7B, vs. \$82.3B in bond fund inflows & \$47.2B in MMF outflows.