

The Economy

In its July survey, the Blue Chip Economic Indicators found that 65.4% of the economists polled believe the National Bureau of Economic Research will declare the current recession, which began in December 2007, over in Q3'09, according to Reuters. They are forecasting a GDP growth rate of 1.0% (annualized) for Q3, up from last month's estimate of 0.6%. Economists are looking for 2.0% growth in 2010, including a 3.0% growth rate in Q4'10. In July, the International Monetary Fund updated its global growth estimate for 2010 from 2.0% to 2.5%.

Consumer Confidence 46.6 (Jul) 49.3 (Jun)	Crude Oil (Mo.-End) \$69.45 (Jul) \$69.89 (Jun)	Personal Spending 0.4% (Jun) 0.3% (May)	ISM Manufacturing 48.9 (Jul) 44.8 (Jun)	ISM Non-Manufacturing 46.4 (Jul) 47.0 (Jun)
Gold (Mo.-End) \$953.70 (Jul) \$927.40 (Jun)	Natural Gas (Mo.-End) \$3.65 (Jul) \$3.84 (Jun)	Factory Orders 0.4% (Jun) 1.2% (May)	New Home Sales 384,000 (Jun) 342,000 (May)	Existing Home Sales 4.89M (Jun) 4.77M (May)

The Stock Market

Indices (Source: Bloomberg)

	July	12-mo.
S&P 500	7.6%	-20.0%
DJIA	8.7%	-16.6%
Nasdaq 100	8.6%	-12.7%
S&P 400	8.7%	-20.3%
Russell 2000	9.6%	-20.8%
MSCI World (ex U.S.) (USD)	9.4%	-22.3%
MSCI Emerging Markets (USD)	11.3%	-17.3%

Growth/Value (Source: Bloomberg)

	July	12-mo.
S&P 500 Citigroup Growth	6.8%	-16.4%
S&P 500 Citigroup Value	8.4%	-23.6%
S&P Midcap 400/Citigroup Growth	8.1%	-20.5%
S&P Midcap 400/Citigroup Value	9.4%	-20.1%
Russell 2000 Growth	7.8%	-20.9%
Russell 2000 Value	11.6%	-20.7%

One hundred and twenty-five out of the 134 subsectors that comprise the S&P 500 posted a gain in July, up from 62 last month. In July, the dividend-payers (358) in the S&P 500 (equal weight) posted a total return of 9.56%, vs. 9.76% for the non-payers (142), according to Standard & Poor's. Year-to-date, the payers are up 6.90%, vs. a gain of 36.59% for the non-payers. For the 12-month period ended July '09, payers were off 26.01%, vs. a decline of 15.70% for the non-payers. The number of dividend increases year-to-date totaled 93. That significantly lagged the 181 increases registered at this point in 2008. The number of companies that decreased their dividend totaled 61, up from 18 a year ago. Ten companies have suspended their dividend payments, up from six a year ago. The DJIA surged to more than 10% above its mean level (as of July) from the previous 200 days, a huge turnaround from 11/08 when it traded 34% below its 200-day moving average, according to Bloomberg. The index has rallied from at least 10% below its 200-day level to 10% above a total of 21 times since 1921. It posted gains during the next 12 months in 18 of the 21 opportunities, returning an average of 18%. At July's close, 1,220 U.S. companies had reported their earnings for Q2, according to Bespoke Investment Group. Seventy-one percent topped their estimates.

U.S. Dollar (U.S. Trade-Weighted Basket) -3.6% (Jul) -5.7% (Y-T-D) \$ was up 7.8% in '08	CBOE Total Equity Options (# of contracts in millions) Jul: 54.2 (+4.0%) Jun: 52.1 (-10.8%) Record 7/08: 67.2 million	Short Interest (NYSE) Jul 15: 15.6B (+2.0%) Jun 15: 15.3B (+1.3%) Record 7/08: 18.61 billion shares	VIX Volatility Index (S&P 500) 25.92 (7/31) 26.35 (6/30) Record 11/20/08: 80.86
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The Bond Market

Index (Source: Barclays)

	July	12-mo.	Yield
U.S. Treasury: Intermediate	0.38%	5.95%	2.00%
GNMA 30 Year	1.10%	9.67%	4.30%
Municipal Bond (22+)	1.36%	0.05%	5.70%
U.S. Aggregate	1.61%	7.85%	3.88%
Intermediate Corporate	3.42%	7.89%	5.02%
U.S. Corporate High Yield	6.09%	4.94%	11.52%
Global Aggregate	2.21%	4.89%	3.22%
Global Emerging Markets	3.79%	1.71%	7.56%

The yield on the 10-Yr. T-Bond fell 6 basis points in July closing at 3.48% – 47 basis points below its close (3.95%) on 7/08. With cyclical stocks leading the market higher it only makes sense that the more economically sensitive debt groups would lead as well. The two best performing debt groups year-to-date are high yield corporates and global emerging markets, up 38.4% and 22.8%, respectively, as measured by Barclays Capital's indices. The next closest is long maturity municipals, up 13.7%. It appears that the worst in default activity is behind us. The U.S. speculative-grade default rate stood at 11.0% in June, up from 10.2% in May. Moody's is now forecasting the rate will rise to 12.9% by December 2009, and then dip to 5.0% by June 2010. The credit markets seem to be functioning better...the 3-mo. Libor rate is down to 0.48%.

Key Rates as of July 31		Key Yield Spread		2009 Debt Issuance thru 6/09		
				(Source: Thomson Financial)		
Fed Funds	0-0.25%	The spread between the Merrill Lynch High Yield Master II Index and the 10-Yr. T-Bond was 830 basis points on 7/31/09, down from 954 on 6/30/09. It was 735 on 7/31/08. (Source: Bloomberg)		Debt Category	\$ Amount	% change over '08
2-Yr. T-Note	1.12%			Corporate	\$903.0 Billion	+64.9%
10-Yr. T-Bond	3.48%			Convertible	\$13.3 Billion	-51.7%
30-Yr. Mortgage	5.33%			Asset-Backed	\$67.4 Billion	-41.1%
Bond Buyer 40	5.55%			Municipal	\$196.9 Billion	-14.9%
(Source: Bloomberg)						

The Investment Climate

Net cash inflows to equity funds totaled \$12.0 billion in 6/09, vs. inflows totaling \$18.4 billion in 5/09, according to the Investment Company Institute. Bond funds had inflows totaling \$29.1 billion, vs. inflows totaling \$31.6 billion in 5/09. Money Market funds had outflows totaling \$116.5 billion, vs. outflows totaling \$25.6 billion in 5/09. Y-T-D thru June, equity fund outflows totaled \$396M, vs. \$142.6B in bond fund inflows & \$189.2B in MMF outflows.

Index	10-Yr. High Value	Date	10-Yr. Low Value	Date	Month-End Value	% Off High Value	Month-End Yield
S&P 500	1565.15	10/09/07	676.53	03/09/09	987.48	-36.91%	2.71%
S&P 500/Citigroup Growth	953.77	03/27/00	363.99	03/09/09	512.09	-46.31%	1.74%
S&P 500/Citigroup Value	836.19	07/13/07	307.16	03/09/09	468.37	-43.99%	3.80%
S&P 400	926.23	07/13/07	369.5	10/18/99	628.05	-32.19%	1.80%
S&P 400/Citigroup Growth	383.7	06/05/08	162.27	10/09/02	272.12	-29.08%	0.74%
S&P 400/Citigroup Value	361.18	06/04/07	122.85	10/18/99	227.78	-36.93%	2.88%
S&P 100	832.65	03/24/00	322.13	03/09/09	460.26	-44.72%	2.83%
DJIA	14164.53	10/09/07	6547.05	03/09/09	9171.61	-35.25%	3.13%
NASDAQ 100	4704.73	03/27/00	804.64	10/07/02	1603.36	-65.92%	0.62%
Russell 2000	855.77	07/13/07	327.04	10/09/02	556.71	-34.95%	1.70%
Russell 2000 Growth	498.17	03/27/00	169.69	10/09/02	307.18	-38.34%	0.65%
Russell 2000 Value	1276.63	06/04/07	463.26	10/29/99	766.57	-39.95%	2.73%
Russell 3000	907.58	10/09/07	389.61	03/09/09	576.56	-36.47%	2.50%
MSCI World x USA (USD)	2389.57	10/31/07	809.32	03/12/03	1441.33	-39.68%	N/A
MSCI Emerging Markets (USD)	1338.49	10/29/07	245.64	09/21/01	844.02	-36.94%	N/A
Bovespa/Brazil (USD)	73516.81	05/20/08	8370.88	10/16/02	54765.72	-25.51%	3.78%
RTS/Russia (USD)	2487.92	05/19/08	76.15	09/21/99	1017.47	-59.10%	2.03%
Bombay SE 500/India (USD)	8882.28	01/07/08	792.18	09/21/01	5940.38	-33.12%	1.10%
Shanghai Composite/China (USD)	6092.057	10/16/07	1011.499	07/11/05	3412.062	-43.99%	1.21%
Hang Seng (USD)	31638.22	10/30/07	8409.01	04/25/03	20573.33	-34.97%	3.13%
MSCI Euro (USD)	1590.66	03/06/00	539.93	03/09/09	780.87	-50.91%	4.41%
S&P Consumer Discretionary	318.54	06/04/07	125.72	03/09/09	199.22	-37.46%	3.19%
S&P Consumer Staples	306.61	12/10/07	150.55	03/14/00	252.85	-17.53%	3.11%
S&P Energy	668.81	05/20/08	163.83	07/23/02	389.92	-41.70%	2.24%
S&P Utilities	223.91	12/10/07	77.27	10/09/02	147.13	-34.29%	4.51%
S&P Financials	509.55	02/20/07	81.74	03/06/09	174.88	-65.68%	3.48%
S&P Banks	414.38	02/20/07	49.02	03/05/09	112.68	-72.81%	4.71%
FTSE NAREIT Equity REITs	676.54	02/07/07	163.57	03/06/09	267.59	-60.45%	6.84%
S&P Health Care	444.98	12/28/00	252.84	03/05/09	324.11	-27.16%	2.28%
S&P Pharmaceuticals	496.83	12/28/00	214.5	03/03/09	269.08	-45.84%	3.93%
NYSE Arca Biotechnology	886.57	08/14/08	241.64	08/10/99	870.36	-1.83%	1.84%
S&P Information Technology	988.49	03/27/00	172.88	10/09/02	313.92	-68.24%	0.99%
Philadelphia Semiconductor	1332.73	03/10/00	171.32	11/20/08	301.74	-77.36%	1.49%
S&P Telecom Services	339.28	11/29/99	79	09/30/02	107.93	-68.19%	5.73%
S&P Industrials	381.16	10/09/07	132.83	03/09/09	208.97	-45.18%	3.40%
S&P Materials	285.91	05/16/08	102.55	10/09/02	175.04	-38.78%	2.61%
Philadelphia Gold & Silver	206.37	03/14/08	41.85	11/17/00	148.62	-27.98%	0.69%
Reuters/Jefferies CRB	473.52	07/02/08	183.52	10/22/01	257.45	-45.63%	N/A
Merrill Lynch Perpetual Preferred	197.851	05/08/07	51.791	03/09/09	124.401	-37.12%	8.68%
Merrill Lynch High Yield Master II	198.779	05/29/07	106.667	10/10/02	197.841	-0.47%	11.78%