

The Economy

With the S&P 500 bouncing back strong from its 15% correction the attention has once again turned to the strength of the economic recovery and job growth. The GDP growth rate for Q2 was released and the number was 2.4%, slightly less than the 2.6% consensus from the Bloomberg survey. The economists polled in the most recent Blue Chip Economic Indicators survey see the economy expanding by 3.1% in 2010, down from 3.3% in June. The nonfarm payroll number of -131,000 in July was disappointing, as was the downward revision of May's number. Manufacturing did add 36,000 jobs.

Consumer Confidence 50.4 (Jul) 52.9 (Jun)	Crude Oil (Mo.-End) \$78.95 (Jul) \$75.63 (Jun)	Personal Spending U 0.0% (Jun) N May was 0.2% C H.	ISM Manufacturing 55.5 (Jul) 56.2 (Jun)	ISM Non-Manufacturing 54.3 (Jul) 53.8 (Jun)
Gold (Mo.-End) \$1181.70 (Jul) \$1245.90 (Jun)	Natural Gas (Mo.-End) \$4.92 (Jul) \$4.62 (Jun)	Factory Orders -1.2% (Jun) May was -1.4%	New Home Sales 330,000 (Jun) 300,000 (May)	Existing Home Sales 5.37M (Jun) 5.66M (May)

The Stock Market

Indices (Source: Bloomberg)

	July	12-mo.
S&P 500	7.0%	13.8%
DJIA	7.2%	17.3%
NASDAQ 100	7.2%	17.1%
S&P 400	6.9%	22.8%
Russell 2000	6.9%	18.5%
Russell 3000	6.9%	14.8%
MSCI World (ex U.S.) (USD)	9.3%	7.6%
MSCI Emerging Markets (USD)	8.4%	20.1%

Growth/Value (Source: Bloomberg)

	July	12-mo.
S&P 500 Citigroup Growth	6.9%	12.7%
S&P 500 Citigroup Value	7.1%	15.0%
S&P Midcap 400/Citigroup Growth	6.9%	23.1%
S&P Midcap 400/Citigroup Value	6.9%	22.8%
Russell 2000 Growth	6.6%	16.7%
Russell 2000 Value	7.1%	20.1%

One-hundred and twenty-four out of the 134 subsectors (92.5%) that comprise the S&P 500 posted a gain in July, up from eight last month. Materials was the top performing major sector, up 12.3%, according to S&P. In July, the dividend-payers (368) in the S&P 500 (equal weight) posted a total return of 7.65%, vs. 6.15% for the non-payers (132), according to Standard & Poor's. Year-to-date, the payers were up 4.53%, vs. a gain of 1.46% for the non-payers. For the 12-month period ended July, payers were up 23.39%, vs. a gain of 22.81% for the non-payers. The number of dividend increases year-to-date totaled 150, up from 93 increases a year ago. Two companies decreased their dividends, down from 61 a year ago. With respect to Q2 earnings, the large-cap space has posted a stronger showing than the broader market. As of August 5, the S&P 500's beat rate was 79%, up from 78% earlier in the reporting season, according to Bespoke Investment Group. When you include all of the U.S. companies that have reported the beat rate has declined from 77% early on to 68.5%. The lowest-quality names usually outperform at the beginning of a market upturn, but then yield to the top names with better earnings. The non-financial companies in the S&P 500 held a record \$837 billion in cash and equivalents at the close of Q1'10, according to S&P. That amount is up 25.8% from Q1'09.

U.S. Dollar (U.S. Trade-Weighted Basket) -4.3% (July) +0.9% (2010) \$ was down 5.9% in '09	CBOE Total Equity Options (# of contracts in millions) Jul: 41.9 (-1.0%) Jun: 42.3 (-26.8%) Record 7/08: 67.2 million	Short Interest (NYSE) Jul 15: 13.76B (-5.0%) Jun 14: 14.48B (+4.2%) Record 7/08: 18.61 billion shares	VIX Volatility Index (S&P 500) 23.50 (7/30) 34.54 (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	0.78%	6.25%	1.33%
GNMA 30 Year	1.16%	8.38%	2.72%
Municipal Bond (22+)	1.11%	14.71%	4.91%
U.S. Aggregate	1.07%	8.91%	2.57%
Intermediate Corporate	1.85%	12.48%	3.33%
U.S. Corporate High Yield	3.56%	23.74%	8.34%
Global Aggregate	3.40%	6.22%	2.41%
Global Emerging Markets	4.73%	18.87%	5.61%

The news out of Europe that there is enough optimism Greece is getting its spending under control to proceed with the bailout was well received by investors. Global and emerging market debt enjoyed big gains. CDS prices on Greek sovereign debt are down about 18% since the start of July. U.S. speculative-grade was also strong. Moody's reported that the global speculative-grade default rate stood at 5.5% in July, down from 6.1% in June, according to iMarketNews.com. The U.S. speculative-grade default rate stood at 5.4%, down from 6.4% (revised up from 6.3%) in June. Moody's is now forecasting a default rate of 2.7% by December 2010 and 2.1% by July 2011. The default rate on senior loans stood at 4.91% in July, down from 5.73% in June, according to Standard & Poor's LCD. The default rate is expected to fall to around 4.1% by year-end.

Key Rates as of July 30		Key Yield Spread		2010 Debt Issuance through June		
		The spread between the Merrill Lynch High Yield Master II Index and the 10-Yr. T-Bond was 562 basis points on 7/30/10, up from 626 on 6/30/10. It was 830 on 7/31/09. (Source: Bloomberg)		(Source: Thomson Reuters)		
		Debt Category	\$ Amount	% change over '09		
Fed Funds	0-0.25%	Treasury	\$1.21 Trillion	+21.4%		
2-Yr. T-Note	0.55%	Corporate	\$436.7 Billion	-7.0%		
10-Yr. T-Bond	2.91%	Convertible	\$17.1 Billion	+17.1%		
30-Yr. Mortgage	4.57%	Asset-Backed	\$64.9 Billion	-22.9%		
Bond Buyer 40	5.10%	Municipal	\$204.2 Billion	+33.8%		
(Source: Bloomberg)						

Equity funds reported net cash outflows totaling \$5.4 billion in 6/10, vs. \$24.8 billion of outflows in 5/10, according to the Investment Company Institute. Bond fund inflows totaled \$20.7 billion, vs. \$14.5 billion of inflows in 5/10. Money Market fund outflows totaled \$24.2 billion, vs. \$22.2 billion of outflows in 5/10. Y-T-D through June, equity funds reported net inflows totaling \$8.9 billion, vs. \$155.7 billion of inflows for bond funds and \$509.3 billion of outflows for MMFs.

Index	10-Yr. High Value	Date	10-Yr. Low Value	Date	Month-End Value	% Off High Value	YTD Return (USD)	Month-End Yield
S&P 500	1565.15	10/09/07	676.53	03/09/09	1101.60	-29.62%	-0.11%	1.97%
S&P 500/Citigroup Growth	917.91	09/01/00	363.99	03/09/09	567.85	-38.14%	-1.61%	1.59%
S&P 500/Citigroup Value	836.19	07/13/07	307.16	03/09/09	525.54	-37.15%	1.41%	2.34%
S&P 400	926.23	07/13/07	372.88	10/09/02	760.27	-17.92%	5.45%	1.43%
S&P 400/Citigroup Growth	383.70	06/05/08	162.27	10/09/02	332.03	-13.47%	6.18%	0.85%
S&P 400/Citigroup Value	361.18	06/04/07	135.55	10/09/02	273.58	-24.25%	4.76%	1.99%
S&P 100	829.83	09/01/00	322.13	03/09/09	500.56	-39.68%	-1.42%	2.15%
DJIA	14164.53	10/09/07	6547.05	03/09/09	10465.94	-26.11%	1.87%	2.62%
NASDAQ 100	4099.30	09/01/00	804.64	10/07/02	1864.00	-54.53%	0.59%	0.75%
Russell 2000	855.77	07/13/07	327.04	10/09/02	650.89	-23.94%	4.79%	1.31%
Russell 2000 Growth	455.25	10/10/07	169.69	10/09/02	356.22	-21.75%	4.16%	0.68%
Russell 2000 Value	1276.63	06/04/07	469.32	03/09/09	903.49	-29.23%	5.39%	1.96%
Russell 3000	907.58	10/09/07	389.61	03/09/09	649.39	-28.45%	0.47%	1.85%
MSCI World x U.S. (USD)	5379.90	10/31/07	1636.59	03/12/03	3659.47	-31.98%	-4.38%	N/A
MSCI Emerging Markets (USD)	473.35	10/29/07	75.12	09/21/01	373.68	-21.06%	1.65%	N/A
Bovespa/Brazil (USD)	44638.24	05/19/08	2160.80	10/16/02	38439.65	-13.89%	-2.46%	3.06%
RTS/Russia (USD)	2487.92	05/19/08	131.02	01/03/01	1479.73	-40.52%	4.67%	1.64%
Bombay SE 500/India (USD)	226.04	01/07/08	16.50	09/21/01	155.26	-31.31%	6.44%	1.17%
Shanghai Composite/China (USD)	810.24	10/16/07	122.21	07/11/05	389.33	-51.95%	-17.70%	1.64%
KOSPI/South Korea (USD)	2.29	10/31/07	0.36	04/04/01	1.49	-35.11%	2.96%	1.37%
Hang Seng (USD)	4082.25	10/30/07	1078.13	04/25/03	2707.65	-33.67%	-2.00%	2.86%
MSCI Euro (USD)	1988.53	10/31/07	598.84	03/12/03	1079.84	-45.70%	-11.48%	3.74%
S&P Consumer Discretionary	318.54	06/04/07	125.72	03/09/09	247.48	-22.31%	6.13%	1.45%
S&P Consumer Staples	306.61	12/10/07	182.72	03/10/03	277.97	-9.34%	3.09%	2.98%
S&P Energy	668.81	05/20/08	163.83	07/23/02	403.14	-39.72%	-5.11%	2.23%
S&P Utilities	223.91	12/10/07	77.27	10/09/02	153.97	-31.24%	-0.13%	4.33%
S&P Financials	509.55	02/20/07	81.74	03/06/09	197.92	-61.16%	2.76%	1.11%
S&P Banks	414.38	02/20/07	49.02	03/05/09	136.12	-67.15%	9.16%	0.93%
FTSE NAREIT Equity REITs	676.54	02/07/07	163.57	03/06/09	392.17	-42.03%	15.61%	3.43%
S&P Health Care	444.98	12/28/00	252.84	03/05/09	331.00	-25.61%	-7.56%	2.22%
S&P Pharmaceuticals	496.83	12/28/00	214.50	03/03/09	277.30	-44.19%	-7.68%	3.82%
NYSE Arca Biotechnology	1253.57	03/23/10	280.09	07/10/02	1059.51	-15.48%	12.46%	1.48%
S&P Information Technology	882.20	09/01/00	172.88	10/09/02	353.57	-59.92%	-4.14%	0.92%
Philadelphia Semiconductor	1163.44	08/24/00	171.32	11/20/08	348.81	-70.02%	-2.33%	1.17%
S&P Telecom Services	256.03	08/07/00	79.00	09/30/02	110.13	-56.99%	0.22%	5.87%
S&P Industrials	381.16	10/09/07	132.83	03/09/09	262.83	-31.04%	9.40%	2.11%
S&P Materials	285.91	05/16/08	102.55	10/09/02	193.56	-32.30%	-2.13%	1.97%
Philadelphia Gold & Silver	206.37	03/14/08	41.85	11/17/00	169.72	-17.76%	1.31%	0.68%
Reuters/Jefferies CRB	473.52	07/02/08	183.52	10/22/01	274.35	-42.06%	-3.19%	N/A
Merrill Lynch Perpetual Preferred	197.85	05/08/07	51.79	03/09/09	146.39	-26.01%	8.62%	7.39%
Merrill Lynch High Yield Master II	245.79	07/30/10	106.67	10/10/02	245.79	0.00%	8.31%	8.53%