

## The Economy

The Blue Chip Economic Indicators survey in June revealed a 2012 U.S. Gross Domestic Product (GDP) forecast of 2.1%. Economists see GDP growth accelerating to 2.6% in 2013. Brian Wesbury, Chief Economist at First Trust Advisors, has a more bullish target of 2.5% for 2012 and 3.2% for 2013. While the pace of job growth has slowed over the past three months, the housing market looks active again and consumers continue to show they are getting their fiscal houses in order. Credit card delinquencies, which are defined as payments at least 30 days overdue, decreased for each of the top six credit issuers in May, according to *Forbes*. Defaults also fell for five of the six issuers. Credit card debt per borrower fell 4.7% from Q4'11 to Q1'12, according to TransUnion.

<b>Consumer Confidence</b> <b>62.0</b> (Jun) 64.9 (May)	<b>Crude Oil (Mo.-End)</b> <b>\$84.96</b> (Jun) \$86.53 (May)	<b>Personal Spending</b> <b>0.0%</b> (May) Apr was 0.3%	<b>ISM Manufacturing</b> <b>49.7</b> (Jun) 53.5 (May)	<b>ISM Non-Manufacturing</b> <b>52.1</b> (Jun) 53.7 (May)
<b>Gold (Mo.-End)</b> <b>\$1604.20</b> (Jun) \$1562.60 (May)	<b>Natural Gas (Mo.-End)</b> <b>\$2.82</b> (Jun) \$2.42 (May)	<b>Factory Orders</b> <b>0.7%</b> (May) Apr was -0.6%	<b>New Home Sales</b> <b>369,000</b> (May) 343,000 (Apr)	<b>Existing Home Sales</b> <b>4.55M</b> (May) 4.62M (Apr)

## The Stock Market

### Indices (Source: Bloomberg)

	Jun	12-mo.
S&P 500	4.1%	5.4%
DJIA	4.1%	6.6%
NASDAQ 100	3.7%	13.7%
S&P 400	1.9%	-2.3%
Russell 2000	5.0%	-2.1%
Russell 3000	3.9%	3.8%
MSCI World (ex U.S.) (USD)	6.6%	-14.1%
MSCI Emerging Markets (USD)	3.9%	-15.1%

### Growth/Value (Source: Bloomberg)

	Jun	12-mo.
S&P 500 Growth	3.6%	7.8%
S&P 500 Value	4.7%	3.0%
S&P 400 Growth	0.9%	-3.6%
S&P 400 Value	3.3%	-0.6%
Russell 2000 Growth	5.2%	-2.7%
Russell 2000 Value	4.8%	-1.5%

One hundred and eight out of the 132 subsectors (82%) that comprise the S&P 500 posted a gain in June, up from 12 (9%) last month, according to S&P. Health Care was the top performing sector, up 5.8%. In June, the dividend-payers (399) in the S&P 500 (equal weight) posted a total return of 3.51%, vs. 4.86% for the non-payers (101), according to Standard & Poor's. Year-to-date, the payers were up 2.17%, vs. a loss of 0.28% for the non-payers. For the 12-month period ended June, payers were up 0.76%, vs. a loss of 7.14% for the non-payers. The # of dividend increases y-t-d totaled 200, up from 192 a year ago and the largest number of increases in the first half of a calendar year since at least 2004. Four dividends were cut, up from two a year ago. Nine companies initiated a dividend, down from 13 a year ago. The Q2'12 edition of the *Investment Manager Outlook* (released 6/28), a survey of investment managers conducted by Russell Investment Group, revealed that 48% of money managers believe the U.S. equity market is undervalued, up five percentage points from the survey in March. Managers have greater confidence in the U.S. equity market than foreign markets. They are most bullish on U.S. Large-Cap Growth, U.S. Large-Cap Value, U.S. Mid-Cap Growth and Emerging Markets. Their favorite sectors are Technology, Health Care and Consumer Discretionary.

<b>U.S. Dollar Index (DXY)</b> <b>-1.7%</b> (Jun) +1.8% (YTD) \$ was up 1.5% in '11	<b>CBOE Total Equity Options</b> (# of contracts in millions) <b>Jun: 36.3</b> (-15.8%) May: 43.1 (+2.4%) Record 7/08: 67.2 million	<b>Short Interest (NYSE)</b> <b>Jun 15: 14.7B</b> (+8.9%) May 15: 13.5B (+4.7%) Record 7/08: 18.61 billion shares	<b>VIX Volatility Index (S&amp;P 500)</b> <b>17.08</b> (6/29) 24.06 (5/31) Record 11/20/08: 80.86
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## The Bond Market

### Index (Source: Barclays)

	Jun	12-mo.	Yield
U.S. Treasury: Intermediate	-0.17%	5.40%	0.65%
GNMA 30 Year	0.07%	5.99%	2.44%
Municipal Bond (22+)	-0.07%	15.62%	3.81%
U.S. Aggregate	0.04%	7.47%	1.98%
Intermediate Corporate	0.42%	6.65%	2.70%
U.S. Corporate High Yield	2.11%	7.27%	7.35%
Global Aggregate	0.48%	2.73%	2.04%
Global Emerging Markets	2.90%	6.75%	5.42%

The flight to quality in May fizzled in June, as evidenced by the outperformance from high yield corporate and emerging market debt. It looks as though the markets are focused on two main issues: the potential for a third round of quantitative easing from the Federal Reserve; and guidance as to how the European Union proposes to backstop the sovereign debt problems of Greece, Spain, Italy and/or any other member nations. As of now, the Fed has decided it will simply extend "Operation Twist/QE2" rather than seek to employ a third initiative. The pattern in the bond and stock markets has been essentially the same for months – when the news out of Europe is positive then trading for that day has tended to be positive, and vice versa. Retail investors continue to funnel huge sums of capital into bond funds month after month.

Key Rates as of June 29	
Fed Funds	0-0.25%
2-Yr. T-Note	0.30%
10-Yr. T-Bond	1.65%
30-Yr. Mortgage	3.69%
Bond Buyer 40	4.38%

(Source: Bloomberg)

Key Yield Spread	
The spread between the Merrill Lynch High Yield Master II Index and the 10-Yr. T-Note was 610 basis points on 6/29/12, down from 657 on 5/31/12. It was 450 on 6/30/11.	

(Source: Bloomberg)

2012 Debt Issuance Through May		
(Source: Thomson Reuters)		
Debt Category	\$ Amount	% change over '11
Treasury	\$1.06 Trillion	+13.8%
Corporate	\$569.5 Billion	-2.9%
Convertible	\$7.8 Billion	-40.8%
Asset-Backed	\$78.2 Billion	+55.7%
Municipal	\$149.9 Billion	+76.4%

Equity funds reported net cash *outflows* totaling \$9.6 billion in 5/12, vs. \$5.9 billion of *outflows* in 4/12, according to the Investment Company Institute. Bond fund *inflows* totaled \$19.0 billion, vs. \$25.6 billion of *inflows* in 4/12. Money Market fund *inflows* totaled \$2.0 billion, vs. \$24.0 billion of *outflows* in 4/12. Y-T-D through May, equity funds reported net *outflows* totaling \$24.2 billion, vs. \$136.6 billion of *inflows* for bond funds (municipals had *inflows* totaling \$23.9B) and \$132 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	1362.16	-12.97%	9.49%	2.08%
S&P 500 Growth	763.67	04/02/12	363.99	03/09/09	738.19	-3.34%	9.96%	1.80%
S&P 500 Value	836.19	07/13/07	307.16	03/09/09	616.69	-26.25%	8.92%	2.43%
S&P 400	1015.26	04/29/11	372.88	10/09/02	941.64	-7.25%	7.90%	1.53%
S&P 400 Growth	465.69	07/07/11	162.27	10/09/02	427.75	-8.15%	7.73%	1.03%
S&P 400 Value	361.18	06/04/07	135.55	10/09/02	325.82	-9.79%	8.44%	2.05%
S&P 100	729.79	10/09/07	322.13	03/09/09	623.82	-14.52%	10.56%	2.19%
DJIA	14164.53	10/09/07	6547.05	03/09/09	12880.09	-9.07%	6.83%	2.59%
NASDAQ 100	2784.42	04/02/12	804.64	10/07/02	2615.72	-6.06%	15.43%	0.99%
Russell 2000	865.29	04/29/11	327.04	10/09/02	798.49	-7.72%	8.53%	1.54%
Russell 2000 Growth	497.75	04/29/11	169.69	10/09/02	460.76	-7.43%	8.81%	0.84%
Russell 2000 Value	1276.63	06/04/07	469.32	03/09/09	1049.00	-17.83%	8.24%	2.23%
Russell 3000	907.58	10/09/07	389.61	03/09/09	803.63	-11.45%	9.31%	1.99%
MSCI World x U.S. (USD)	5379.90	10/31/07	1636.59	03/12/03	3749.17	-30.31%	2.43%	N/A
MSCI Emerging Markets (USD)	473.35	10/29/07	79.55	10/10/02	370.52	-21.72%	3.93%	N/A
Bovespa/Brazil (USD)	44638.24	05/19/08	2160.80	10/16/02	26898.90	-39.74%	-11.13%	4.82%
RTS/Russia (USD)	2487.92	05/19/08	313.99	08/06/02	1350.51	-45.72%	1.68%	3.75%
Bombay SE 500/India (USD)	226.04	01/07/08	21.10	10/28/02	114.97	-49.14%	6.54%	1.58%
Shanghai Composite/China (USD)	810.24	10/16/07	122.21	07/11/05	350.24	-56.77%	2.03%	2.29%
KOSPI/South Korea (USD)	2.29	10/31/07	0.41	03/17/03	1.62	-29.39%	2.13%	1.28%
Hang Seng (USD)	4082.25	10/30/07	1078.13	04/25/03	2506.18	-38.61%	8.40%	3.72%
MSCI Euro (USD)	1988.53	10/31/07	598.84	03/12/03	907.24	-54.38%	1.00%	4.39%
S&P Consumer Discretionary	364.84	05/02/12	125.72	03/09/09	345.81	-5.22%	12.95%	1.62%
S&P Consumer Staples	358.92	06/29/12	182.72	03/10/03	358.92	0.00%	8.57%	2.81%
S&P Energy	668.81	05/20/08	163.83	07/23/02	503.27	-24.75%	-2.35%	2.13%
S&P Utilities	223.91	12/10/07	77.27	10/09/02	187.80	-16.13%	4.82%	4.01%
S&P Financials	509.55	02/20/07	81.74	03/06/09	197.37	-61.27%	13.72%	1.86%
S&P Banks	414.38	02/20/07	49.02	03/05/09	154.33	-62.76%	19.73%	2.07%
FTSE NAREIT Equity REITs	676.54	02/07/07	163.57	03/06/09	502.70	-25.70%	14.91%	3.26%
S&P Health Care	440.76	06/29/12	252.84	03/05/09	440.76	0.00%	10.97%	2.12%
S&P Pharmaceuticals	372.70	06/17/03	214.50	03/03/09	361.54	-2.99%	9.03%	3.21%
NYSE Arca Biotechnology	1511.91	05/11/12	280.09	07/10/02	1469.21	-2.82%	34.68%	0.09%
S&P Information Technology	502.11	04/02/12	172.88	10/09/02	462.02	-7.98%	13.34%	1.07%
Philadelphia Semiconductor	560.65	01/12/04	171.32	11/20/08	385.46	-31.25%	6.40%	1.19%
S&P Telecom Services	181.06	05/31/07	79.00	09/30/02	147.14	-18.73%	16.50%	4.75%
S&P Industrials	381.16	10/09/07	132.83	03/09/09	310.06	-18.65%	7.35%	2.38%
S&P Materials	285.91	05/16/08	102.55	10/09/02	222.94	-22.02%	6.53%	2.27%
Philadelphia Gold & Silver	228.95	04/08/11	55.73	07/26/02	157.54	-31.19%	-11.90%	1.52%
Reuters/Jefferies CRB	473.52	07/02/08	200.34	03/02/09	284.19	-39.98%	-6.91%	N/A
Merrill Lynch Perpetual Preferred	197.85	05/08/07	51.79	03/09/09	179.05	-9.50%	12.32%	6.74%
Merrill Lynch High Yield Master II	291.66	06/29/12	106.67	10/10/02	291.66	0.00%	7.02%	7.75%