

The Economy

Brian Wesbury, Chief Economist at First Trust Advisors L.P., continues to characterize the U.S. recovery as a "Plow Horse" economy. March's non-farm payroll number (88,000 new jobs) supports his premise. While positive, the total was below the consensus target of 190,000. Non-farm payrolls have expanded in each of the past 30 months, with a monthly average gain of 168,520. The NFIB Small Business Optimism Index survey for March indicated that small business owners continue to feel more upbeat about the U.S. economy, but their biggest complaints continue to be government regulations and taxes, according to Bespoke Investment Group. Small businesses create about 65% of net new jobs in the U.S., according to the Small Business Administration.

Consumer Confidence 59.7 (Mar) 69.6 (Feb)	Crude Oil (Mo.-End) \$97.23 (Mar) \$92.05 (Feb)	Personal Spending 0.7% (Feb) Jan was 0.2%	ISM Manufacturing 51.3 (Mar) 54.2 (Feb)	ISM Non-Manufacturing 54.4 (Mar) 56.0 (Feb)
Gold (Mo.-End) \$1594.80 (Mar) \$1578.10 (Feb)	Natural Gas (Mo.-End) \$4.02 (Mar) \$3.49 (Feb)	Factory Orders 3.0% (Feb) Jan was -2.0%	New Home Sales 411,000 (Feb) 437,000 (Jan)	Existing Home Sales 4.98M (Feb) 4.92M (Jan)

The Stock Market

Indices (Source: Bloomberg)

	Mar	12-mo.
S&P 500	3.8%	14.0%
DJIA	3.9%	13.4%
NASDAQ 100	3.0%	3.7%
S&P 400	4.8%	17.8%
Russell 2000	4.6%	16.3%
Russell 3000	3.9%	14.6%
MSCI World (ex U.S.) (USD)	0.8%	10.4%
MSCI Emerging Markets (USD)	-1.7%	2.0%

Growth/Value (Source: Bloomberg)

	Mar	12-mo.
S&P 500 Growth	3.8%	11.7%
S&P 500 Value	3.7%	16.7%
S&P 400 Growth	4.4%	15.6%
S&P 400 Value	5.1%	21.1%
Russell 2000 Growth	5.1%	14.5%
Russell 2000 Value	4.2%	18.1%

One hundred and sixteen out of the 132 subsectors (88%) that comprise the S&P 500 posted a gain in March, up from 83 (63%) last month, according to S&P. Health Care was the top performing sector, up 6.4%. In March, the dividend-payers (406) in the S&P 500 (equal weight) posted a total return of 4.23%, vs. 4.18% for the non-payers (94), according to S&P.Y-T-D, the payers were up 12.22%, vs. a gain of 12.85% for the non-payers. For the 12-mo. period ended March, payers were up 16.98%, vs. a gain of 15.43% for the non-payers. The number of dividend increases in Q1'13 totaled 129. Six dividends were cut. Net cash inflows to Equity Income mutual funds and ETFs totaled \$4.0 billion and \$1.6 billion, respectively, in the first two months of 2013, according to Lipper. Since 1928, the S&P 500 has posted a first quarter price-only return of 10.0% or greater 13 times, according to Bespoke Investment Group. The range of returns stretches from this year's 10.0% gain to 21.6% in Q1'75. Only once out of the 12 previous instances did the S&P 500 finish the calendar year with a negative total return. In 1930, the index was up 17.2% in Q1, but then proceeded to plunge 39.0% over the next nine months to finish down 28.5% for the year. The best subsequent nine month showing came in 1936, when the S&P 500 rose 11.1% in Q1 and then appreciated another 15.1% over the next nine months.

U.S. Dollar Index (DXY) 1.3% (Mar) 4.1% (YTD) \$ was down 0.5% in '12	CBOE Total Equity Options (# of contracts in millions) Mar: 29.3 (-0.3%) Feb: 29.4 (-9.8%) Record 7/08: 67.2 million	Short Interest (NYSE) Mar 15: 13.6B (+3.8%) Feb 15: 13.1B (+2.3%) Record 7/08: 18.61 billion shares	VIX Volatility Index (S&P 500) 12.70 (3/28) 15.51 (2/28) Record 11/20/08: 80.86
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The Bond Market

Index (Source: Barclays)

	Mar	12-mo.	Yield
U.S. Treasury: Intermediate	0.13%	2.35%	0.61%
GNMA 30 Year	0.11%	1.82%	2.65%
Municipal Bond (22+)	-0.84%	7.50%	3.40%
U.S. Aggregate	0.08%	3.77%	1.86%
Intermediate Corporate	0.22%	6.54%	2.06%
U.S. Corporate High Yield	1.02%	13.13%	5.67%
Global Aggregate	-0.25%	1.25%	1.74%
Global Emerging Markets	-0.67%	9.75%	4.15%

The yield on the benchmark 10-Year T-Note fell 3 bps. to 1.85% in March. While bond funds continue to report positive weekly inflows (no "Great Rotation" yet), perhaps the biggest winner so far in 2013 are bank loan (senior loan) funds. Lipper data shows that net inflows to bank loan funds totaled \$15.2 billion year-to-date through March 22, already surpassing their total net inflows of \$12.2 billion for all of 2012, according to *Barron's*. With the yield on the benchmark 10-Year T-Note trading in a very narrow range (1.85% to 2.06%) in Q1'13, it is becoming more difficult for investors to garner price appreciation. In fact, the total return on the Barclays Capital U.S. Aggregate Index closed Q1'13 in negative territory at -0.12%. The last time it posted a negative quarterly total return was in 2006, according to *Barron's*.

Key Rates as of March 28		Key Yield Spread		2013 Debt Issuance Through February		
		The spread between the Merrill Lynch High Yield Master II Index and the 10-Yr. T-Note was 453 basis points on 3/28/13, down from 467 on 2/28/13. It was 550 on 3/30/12.		(Source: Thomson Reuters)		
				Debt Category	\$ Amount	% change over '12
Fed Funds	0-0.25%			Treasury	\$376.3 Billion	-21.5%
2-Yr. T-Note	0.24%			Corporate	\$250.9 Billion	+1.9%
10-Yr. T-Bond	1.85%			Convertible	\$3.9 Billion	+328.8%
30-Yr. Mortgage	3.67%			Asset-Backed	\$33.8 Billion	+15.0%
Bond Buyer 40	4.15%			Municipal	\$41.4 Billion	+5.1%
(Source: Bloomberg)		(Source: Bloomberg)				

Equity funds reported net inflows totaling \$14.1 billion in 2/13, vs. \$37.8 billion of net inflows in 1/13, according to the Investment Company Institute. Bond funds reported net inflows totaling \$20.2 billion, vs. \$32.7 billion of net inflows in 1/13. Money Market fund net outflows totaled \$31.6 billion, vs. \$11.1 billion of net outflows in 1/13. Year-to-date through February, equity funds reported net inflows totaling \$51.9 billion, vs. \$52.9 billion of net inflows for bond funds (municipals had net inflows totaling \$9.6B) and \$42.7 billion of net 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	1569.19	03/28/13	676.53	03/09/09	1569.19	0.00%	10.61%	2.10%
S&P 500 Growth	828.71	03/28/13	363.99	03/09/09	828.71	0.00%	9.33%	1.78%
S&P 500 Value	836.19	07/13/07	307.16	03/09/09	731.54	-12.52%	11.97%	2.43%
S&P 400	1153.68	03/28/13	404.62	03/09/09	1153.68	0.00%	13.45%	1.74%
S&P 400 Growth	518.67	03/28/13	174.44	11/20/08	518.67	0.00%	12.12%	1.21%
S&P 400 Value	403.50	03/28/13	144.98	03/09/09	403.50	0.00%	14.83%	2.28%
S&P 100	729.79	10/09/07	322.13	03/09/09	704.57	-3.46%	9.58%	2.24%
DJIA	14578.54	03/28/13	6547.05	03/09/09	14578.54	0.00%	11.93%	2.44%
NASDAQ 100	2864.03	09/19/12	1018.66	03/31/03	2818.69	-1.58%	6.25%	1.42%
Russell 2000	953.07	03/14/13	343.26	03/09/09	951.54	-0.16%	12.39%	1.80%
Russell 2000 Growth	546.67	03/14/13	190.73	03/09/09	546.27	-0.07%	13.21%	1.13%
Russell 2000 Value	1276.63	06/04/07	469.32	03/09/09	1256.62	-1.57%	11.63%	2.43%
Russell 3000	935.52	03/28/13	389.61	03/09/09	935.52	0.00%	11.07%	2.06%
MSCI World x U.S. (USD)	5379.90	10/31/07	1727.27	03/31/03	4461.86	-17.06%	4.71%	N/A
MSCI Emerging Markets (USD)	473.35	10/29/07	85.89	03/31/03	413.73	-12.60%	-1.84%	N/A
Bovespa/Brazil (USD)	44638.24	05/19/08	3362.60	03/31/03	27991.30	-37.29%	-6.18%	4.72%
RTS/Russia (USD)	2487.92	05/19/08	360.33	03/31/03	1454.72	-41.53%	-4.69%	3.95%
Bombay SE 500/India (USD)	226.04	01/07/08	22.28	04/25/03	130.53	-42.25%	-5.13%	1.54%
Shanghai Composite/China (USD)	810.24	10/16/07	122.21	07/11/05	359.86	-55.59%	-1.18%	2.55%
KOSPI/South Korea (USD)	2.29	10/31/07	0.43	03/31/03	1.79	-21.88%	-4.00%	1.20%
Hang Seng (USD)	4082.25	10/30/07	1078.13	04/25/03	2872.70	-29.63%	-1.37%	3.21%
MSCI Euro (USD)	1988.53	10/31/07	648.34	03/31/03	1077.52	-45.81%	-1.17%	4.14%
S&P Consumer Discretionary	420.27	03/28/13	125.72	03/09/09	420.27	0.00%	12.15%	1.54%
S&P Consumer Staples	410.47	03/28/13	189.91	04/01/03	410.47	0.00%	14.58%	2.89%
S&P Energy	668.81	05/20/08	180.10	04/16/03	583.98	-12.68%	10.17%	2.13%
S&P Utilities	223.91	12/10/07	93.60	03/31/03	198.69	-11.26%	13.02%	3.88%
S&P Financials	509.55	02/20/07	81.74	03/06/09	245.41	-51.84%	11.42%	1.75%
S&P Banks	414.38	02/20/07	49.02	03/05/09	171.97	-58.50%	9.44%	2.29%
FTSE NAREIT Equity REITs	676.54	02/07/07	163.57	03/06/09	551.62	-18.46%	8.10%	3.30%
S&P Health Care	533.42	03/28/13	252.84	03/05/09	533.42	0.00%	15.81%	1.92%
S&P Pharmaceuticals	429.84	03/28/13	214.50	03/03/09	429.84	0.00%	16.13%	2.78%
NYSE Arca Biotechnology	1826.75	03/28/13	324.73	04/11/03	1826.75	0.00%	18.11%	0.07%
S&P Information Technology	507.31	09/17/12	198.51	11/20/08	483.34	-4.72%	4.59%	1.50%
Philadelphia Semiconductor	560.65	01/12/04	171.32	11/20/08	436.66	-22.11%	14.10%	1.68%
S&P Telecom Services	181.06	05/31/07	88.10	03/09/09	158.01	-12.73%	9.45%	4.39%
S&P Industrials	381.16	10/09/07	132.83	03/09/09	361.89	-5.06%	10.67%	2.25%
S&P Materials	285.91	05/16/08	108.33	03/02/09	247.52	-13.43%	4.79%	2.55%
Philadelphia Gold & Silver	228.95	04/08/11	63.82	04/07/03	135.76	-40.70%	-17.63%	1.89%
Reuters/Jefferies CRB	473.52	07/02/08	200.34	03/02/09	296.39	-37.41%	0.47%	N/A
Merrill Lynch Perpetual Preferred	197.85	05/08/07	51.79	03/09/09	193.36	-2.27%	2.95%	5.90%
Merrill Lynch High Yield Master II	323.88	03/28/13	125.56	03/31/03	323.88	0.00%	2.85%	6.38%