











The Economy

We've been focused on job creation the past few months and June is no exception. Job growth plays a major role in the formulation of the Federal Reserve's monetary policy and can produce a positive ripple effect in the economy. It is widely reported that approximately 70% of U.S. GDP comes from consumer spending. More jobs tends to translate into more paychecks. June's nonfarm payroll number (195,000) came in above Bloomberg's consensus estimate of 165,000. Including upward revisions from prior months, nonfarm payrolls rose 265,000. As we have noted many times before, pundits have said that the U.S. needs to create approximately 250,000 or more jobs a month to make a serious dent in the unemployment rate, which stands at 7.6%.

Consumer Confidence 81.4 (Jun) 76.2 (May) 	Crude Oil (Mo.-End) \$96.56 (Jun) \$91.97 (May) 	Personal Spending 0.3% (May) Apr was -0.2% 	ISM Manufacturing 50.9 (Jun) 49.0 (May) 	ISM Non-Manufacturing 52.2 (Jun) 53.7 (May) 
Gold (Mo.-End) \$1223.70 (Jun) \$1392.60 (May) 	Natural Gas (Mo.-End) \$3.57 (Jun) \$3.98 (May) 	Factory Orders 2.1% (May) Apr was 1.0% 	New Home Sales 476,000 (May) 454,000 (Apr) 	Existing Home Sales 5.18M (May) 4.92M (Apr) 

The Stock Market

Indices (Source: Bloomberg) S&P 500 -1.3% DJIA -1.3% NASDAQ 100 -2.3% S&P 400 -1.9% Russell 2000 -0.5% Russell 3000 -1.3% MSCI World (ex U.S.) (USD) -3.8% MSCI Emerging Markets (USD) -6.4%	June 12-mo. 20.7% 18.9% 13.1% 25.4% 24.2% 21.5% 17.1% 2.9%	Forty-five out of the 132 subsectors (34%) that comprise the S&P 500 posted a gain in June, down from 91 (69%) last month, according to S&P Telecom. Services was the best performing sector, up 1.9%. In June, the dividend-payers (410) in the S&P 500 (equal weight) posted a total return of -1.14%, vs. -1.02% for the non-payers (90), according to Standard & Poor's. Y-T-D, the payers were up 15.14%, vs. a gain of 20.28% for the non-payers. For the 12-month period ended June, payers were up 24.80%, vs. a gain of 32.90% for the non-payers. The number of dividend increases y-t-d through May totaled 219, up from 200 at this point a year ago. Ten dividends were cut, compared to four at this point a year ago. In the first five months of 2013, net cash inflows to Equity Income mutual funds and Equity Income ETFs totaled \$6.4 billion and \$5.9 billion, respectively, according to data from Lipper. Goldman Sachs released its yield targets for the 10-Year T-Note putting it at 2.50% at year-end, but then sees it climbing to 3.75% by the end of 2016, according to <i>Barron's</i> . Goldman suggests that investors favor stocks over bonds moving forward. It sees the S&P 500 rising approximately 10.0% during the balance of 2013, followed by 9.0% and 11.0% gains in 2014 and 2015, respectively. It is forecasting that S&P 500 dividend distributions will rise by 11.0% in 2013, 10.0% in 2014 and 9.0% in 2015.
Growth/Value (Source: Bloomberg) S&P 500 Growth -1.8% S&P 500 Value -0.9% S&P 400 Growth -2.5% S&P 400 Value -1.2% Russell 2000 Growth -0.6% Russell 2000 Value -2.4%	June 12-mo. 16.9% 25.1% 23.7% 27.3% 23.7% 24.7%	

U.S. Dollar Index (DXY) -0.3% (Jun) +4.2% (YTD) \$ was down 0.5% in '12 	CBOE Total Equity Options (# of contracts in millions) Jun: 32.1 (-7.8%)  May: 34.8 (+8.8%) Record 7/08: 67.2 million	Short Interest (NYSE) Jun 15: 13.9B (+3.0%)  May 15: 13.5B (+0.7%) Record 7/08: 18.61 billion shares	VIX Volatility Index (S&P 500) 16.86 (6/28)  16.30 (5/31) Record 11/20/08: 80.86
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The Bond Market

Index (Source: Barclays) U.S. Treasury: Intermediate -0.82% GNMA 30 Year -1.12% Municipal Bond (22+) -4.40% U.S. Aggregate -1.55% Intermediate Corporate -2.00% U.S. Corporate High Yield -2.62% Global Aggregate -1.18% Global Emerging Markets -4.21%	June 12-mo. Yield -0.66% -1.98% 0.16% -0.69% 2.39% 9.49% -2.18% 3.91%	0.96% 3.24% 4.33% 2.35% 2.69% 6.66% 2.10% 5.17%	The yield on the benchmark 10-Year T-Note rose 36 basis points to 2.49% in June. That is the second consecutive month where the yield moved up significantly. From 4/30/13 through 6/28/13, the yield on the 10-Year rose 82 basis points. While selling pressure has been across the board with respect to who is doing the selling, it was particularly heavy from retail investors. Data from the Investment Company Institute showed that bond funds experienced net outflows for four consecutive weeks in June totaling close to \$60 billion, according to Reuters. We have yet to see, however, a "great rotation" from bond funds to stock funds. We believe the Federal Reserve's recent comments concerning the potential tapering of its quantitative easing initiatives (bond-buying) is causing many investors to reassess how their assets are allocated.
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Key Rates as of June 28 Fed Funds 0-0.25% 2-Yr. T-Note 0.36% 10-Yr. T-Note 2.49% 30-Yr. Mortgage 4.39% Bond Buyer 40 4.73% (Source: Bloomberg)	Key Yield Spread The spread between the Merrill Lynch High Yield Master II Index and the 10-Yr. T-Note was 444 basis points on 6/28/13, up from 422 on 5/31/13. It was 610 on 6/29/12. (Source: Bloomberg)	2013 Debt Issuance Through May (Source: Thomson Reuters) <table border="1"> <tr> <th>Debt Category</th> <th>\$ Amount</th> <th>% change over '12</th> </tr> <tr> <td>Treasury</td> <td>\$905.0 Billion</td> <td>-14.5%</td> </tr> <tr> <td>Corporate</td> <td>\$646.9 Billion</td> <td>+14.1%</td> </tr> <tr> <td>Convertible</td> <td>\$12.1 Billion</td> <td>+54.8%</td> </tr> <tr> <td>Asset-Backed</td> <td>\$85.1 Billion</td> <td>+5.0%</td> </tr> <tr> <td>Municipal</td> <td>\$148.9 Billion</td> <td>-1.4%</td> </tr> </table>	Debt Category	\$ Amount	% change over '12	Treasury	\$905.0 Billion	-14.5%	Corporate	\$646.9 Billion	+14.1%	Convertible	\$12.1 Billion	+54.8%	Asset-Backed	\$85.1 Billion	+5.0%	Municipal	\$148.9 Billion	-1.4%
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Equity funds reported net *inflows* totaling \$5.5 billion in 5/13, vs. \$4.3 billion (revised up) of net *inflows* in 4/13, according to the Investment Company Institute. Bond funds reported net *inflows* totaling \$11.7 billion, vs. \$12.0 billion of net *inflows* in 4/13. Money Market fund net *inflows* totaled \$27.8 billion, vs. \$24.4 billion of net *outflows* in 4/13. Year-to-date through May, equity funds reported net *inflows* totaling \$76.6 billion, vs. \$92.9 billion of net *inflows* for bond funds (municipals had net *inflows* totaling \$6.5B) and \$97.6 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	1669.16	05/21/13	676.53	03/09/09	1606.28	-3.77%	13.83%	2.13%
S&P 500 Growth	883.07	05/17/13	363.99	03/09/09	845.37	-4.27%	12.04%	1.83%
S&P 500 Value	836.19	07/13/07	307.16	03/09/09	751.54	-10.12%	15.75%	2.44%
S&P 400	1214.89	05/21/13	404.62	03/09/09	1160.82	-4.45%	14.60%	1.80%
S&P 400 Growth	551.27	05/21/13	174.44	11/20/08	522.35	-5.25%	13.27%	1.30%
S&P 400 Value	420.94	05/21/13	144.98	03/09/09	405.58	-3.65%	15.98%	2.31%
S&P 100	748.89	05/21/13	322.13	03/09/09	720.62	-3.77%	12.75%	2.27%
DJIA	15409.39	05/28/13	6547.05	03/09/09	14909.60	-3.24%	15.20%	2.45%
NASDAQ 100	3028.96	05/17/13	1036.51	11/20/08	2909.60	-3.94%	10.09%	1.51%
Russell 2000	999.99	06/18/13	343.26	03/09/09	977.48	-2.25%	15.86%	1.79%
Russell 2000 Growth	579.58	06/18/13	190.73	03/09/09	565.70	-2.39%	17.44%	1.09%
Russell 2000 Value	1316.37	05/20/13	469.32	03/09/09	1281.01	-2.69%	14.39%	2.45%
Russell 3000	992.51	05/21/13	389.61	03/09/09	955.85	-3.69%	14.07%	2.09%
MSCI World x U.S. (USD)	5379.90	10/31/07	2057.37	07/01/03	4389.13	-18.42%	3.01%	3.34%
MSCI Emerging Markets (USD)	473.36	10/29/07	105.90	06/30/03	381.14	-19.48%	-9.57%	2.86%
Bovespa/Brazil (USD)	44638.24	05/19/08	4209.70	08/04/03	21425.34	-52.00%	-28.19%	4.67%
RTS/Russia (USD)	2487.92	05/19/08	427.64	07/17/03	1275.44	-48.73%	-13.86%	4.18%
Bombay SE 500/India (USD)	226.04	01/07/08	29.28	07/22/03	120.63	-46.63%	-11.77%	1.59%
Shanghai Composite/China (USD)	810.24	10/16/07	122.21	07/11/05	322.48	-60.20%	-9.71%	3.08%
KOSPI/South Korea (USD)	2.29	10/31/07	0.56	06/30/03	1.63	-28.83%	-12.43%	1.23%
Hang Seng (USD)	4082.25	10/30/07	1228.06	06/30/03	2682.05	-34.30%	-5.87%	3.61%
MSCI Euro (USD)	1988.53	10/31/07	680.91	03/09/09	1078.45	-45.77%	1.47%	3.98%
S&P Consumer Discretionary	456.78	05/15/13	125.72	03/09/09	447.29	-2.08%	19.79%	1.49%
S&P Consumer Staples	434.10	05/15/13	199.80	03/09/09	409.77	-5.60%	15.16%	2.96%
S&P Energy	668.81	05/20/08	187.40	08/05/03	578.54	-13.50%	9.77%	2.21%
S&P Utilities	223.91	12/10/07	102.51	08/05/03	191.40	-14.52%	9.93%	4.06%
S&P Financials	509.55	02/20/07	81.74	03/06/09	262.06	-48.57%	19.50%	1.72%
S&P Banks	414.38	02/20/07	49.02	03/05/09	189.38	-54.30%	21.35%	2.23%
FTSE NAREIT Equity REITs	676.54	02/07/07	163.57	03/06/09	535.20	-20.89%	5.79%	3.53%
S&P Health Care	573.11	05/28/13	252.84	03/05/09	551.18	-3.83%	20.25%	1.87%
S&P Pharmaceuticals	456.23	04/23/13	214.50	03/03/09	435.28	-4.59%	18.49%	2.81%
NYSE Arca Biotechnology	2065.51	05/14/13	421.94	08/06/03	1956.26	-5.29%	26.51%	0.07%
S&P Information Technology	512.28	05/30/13	198.51	11/20/08	489.23	-4.50%	6.36%	1.69%
Philadelphia Semiconductor	560.65	01/12/04	171.32	11/20/08	468.43	-16.45%	22.88%	1.67%
S&P Telecom Services	181.06	05/31/07	88.10	03/09/09	157.90	-12.79%	10.55%	4.41%
S&P Industrials	382.94	05/21/13	132.83	03/09/09	369.95	-3.39%	13.78%	2.24%
S&P Materials	285.91	05/16/08	108.33	03/02/09	241.61	-15.49%	3.12%	2.88%
Philadelphia Gold & Silver	228.95	04/08/11	64.36	10/27/08	90.15	-60.62%	-44.81%	3.17%
Reuters/Jefferies CRB	473.52	07/02/08	200.34	03/02/09	275.62	-41.79%	-6.57%	N/A
Merrill Lynch Perpetual Preferred	197.97	05/08/13	51.79	03/09/09	189.54	-4.26%	0.92%	5.94%
Merrill Lynch High Yield Master II	333.28	05/09/13	130.37	12/12/08	319.63	-4.10%	1.50%	6.93%