











The Economy

Nonfarm payrolls grew for the 49th consecutive month in October, according to data from the Bureau of Labor Statistics (BLS). It was the 9th consecutive month where the number of new jobs created exceeded 200,000. The U.S. economy appears to be improving. The International Monetary Fund is forecasting a real U.S. GDP growth rate of 3.1% for 2015, according to its own release. The U.S. economy has grown at a rate closer 2.2% since the recovery began in Q3'09. Gas prices are falling and consumer confidence levels are rising. The average price for a gallon of regular gasoline nationwide was about \$3.00 on 10/31, the lowest in four years, according to MarketWatch.com. Any savings at the pump could be used by drivers to purchase other goods.

Consumer Confidence 94.5 (Oct) 86.0 (Sep) 	Crude Oil (Mo.-End) \$80.54 (Oct) \$91.16 (Sep) 	Personal Spending -0.2% (Sep) Aug was +0.5% 	ISM Manufacturing 59.0 (Oct) 56.6 (Sep) 	ISM Non-Manufacturing 57.1 (Oct) 58.6 (Sep) 
Gold (Mo.-End) \$1,171.60 (Oct) \$1,210.50 (Sep) 	Natural Gas (Mo.-End) \$3.87 (Oct) \$4.12 (Sep) 	Factory Orders -0.6% (Sep) Aug was -10.1% 	New Home Sales 467,000 (Sep) 504,000 (Aug) 	Existing Home Sales 5.17M (Sep) 5.05M (Aug) 

The Stock Market

Indices (Source: Bloomberg)

	Oct	12-mo.
S&P 500	2.4%	17.3%
DJIA	2.2%	14.4%
NASDAQ 100	2.7%	24.7%
S&P 400	3.6%	11.7%
Russell 2000	6.6%	8.1%
Russell 3000	2.8%	16.0%
MSCI World (ex U.S.) (USD)	-1.6%	-0.2%
MSCI Emerging Markets (USD)	1.2%	0.6%

Growth/Value (Source: Bloomberg)

	Oct	12-mo.
S&P 500 Growth	2.9%	19.4%
S&P 500 Value	1.9%	15.0%
S&P 400 Growth	3.1%	10.0%
S&P 400 Value	4.1%	13.4%
Russell 2000 Growth	6.2%	8.3%
Russell 2000 Value	7.0%	7.9%

Ninety-six out of the 131 subsectors (73%) that comprise the S&P 500 posted a gain in October, up from 31 (23%) last month, according to S&P Dow Jones Indices. Utilities was the best performing sector, up 7.91%. In October, the dividend-payers (424) in the S&P 500 (equal weight) posted a total return of 2.98%, vs. 3.29% for the non-payers (78), according to S&P Dow Jones Indices. There are currently 502 stocks in the index. Y-T-D, the payers were up 11.86%, vs. a gain of 13.95% for the non-payers. For the 12-mo. period ended Oct., payers were up 22.81%, vs. a gain of 24.29% for the non-payers. The number of dividend increases in Oct. totaled 28, up from 23 a year ago. Y-T-D, there were 322 increases, up from 310 a year ago. Y-T-D, there were seven decreases, down from 12 a year ago. Equity investors endured another pullback in the stock market recently and it was accompanied by the usual dose of scary headlines and dire predictions. From 9/18/14 (all-time high) through 10/15/14, the S&P 500 Index posted a total return of -7.28%, according to Bloomberg. From 10/15/14 through 10/31/14, however, the index was up 8.39%. In our opinion, the reason why the S&P 500 hasn't experienced a 10% or greater correction since Q3'11 is because investors have continuously bought the dips. The U.S. stock market constitutes 37% of the world's total equity market capitalization, according to Bloomberg.

U.S. Dollar Index (DXY) +1.1% (Oct) +8.6% (YTD) \$ was up 0.3% in '13 	CBOE Total Equity Options (# of contracts in millions) Oct: 48.6 (+20.6%)  Sep: 40.3 (+21.8%) Record 7/08: 67.2 million	Short Interest (NYSE) Mid-Oct: 15.8B (+5.3%)  Mid-Sep: 15.0B (+1.4%) Record 7/08: 18.61 billion shares	VIX Volatility Index (S&P 500) 14.03 (10/31)  16.31 (9/30) Record 11/20/08: 80.86
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The Bond Market

Index (Source: Barclays)

	Oct	12-mo.	Yield
U.S. Treasury: Intermediate	0.72%	1.46%	1.15%
GNMA 30 Year	0.99%	4.02%	2.84%
Municipal Bond (22+)	0.97%	12.82%	3.12%
U.S. Aggregate	0.98%	4.14%	2.24%
Intermediate Corporate	0.69%	3.89%	2.40%
U.S. Corporate High Yield	1.19%	5.82%	5.83%
Global Aggregate	0.01%	0.22%	1.70%
EM Hard Currency Agg.	0.99%	5.84%	4.51%

The yield on the benchmark 10-Year T-Note fell 15 basis points to 2.34% in October. It was down 22 basis points from 2.56% on 10/31/13. Nearly all of the major bond categories in the chart posted a strong total return in October. Ironically, interest rates were down a bit despite the Federal Reserve concluding its bond buying stimulus program on 10/31. Default rates on speculative-grade bonds, such as high yield corporates and senior loans, remain well below their respective historical averages and are expected to remain low through 2015, according to Moody's. Inflation remains subdued at 1.7%. We have yet to witness any significant rotation out of bond funds into equity funds. Y-T-D through 9/30, net inflows to bond funds, including ETFs, were by far strongest in the corporate bond category, according to data from Strategic Insight.

Key Rates as of October 31 Fed Funds 0-0.25% 2-Yr. T-Note 0.49% 10-Yr. T-Note 2.34% 30-Yr. Mortgage 4.05% Bond Buyer 40 4.37% (Source: Bloomberg)	Key Yield Spread The spread between the Merrill Lynch U.S. High Yield Constrained Index and the 10-Yr. T-Note was 397 basis points on 10/31/14, down from 398 on 9/30/14. It was 381 on 10/31/13. (Source: Bloomberg)	2014 Debt Issuance Through September (Source: Thomson Reuters) <table border="1"> <thead> <tr> <th>Debt Category</th> <th>\$ Amount</th> <th>% change over '13</th> </tr> </thead> <tbody> <tr> <td>Treasury</td> <td>\$1.7 Trillion</td> <td>+3.7%</td> </tr> <tr> <td>Corporate</td> <td>\$1.1 Trillion</td> <td>+1.9%</td> </tr> <tr> <td>Convertible</td> <td>\$33.2 Billion</td> <td>+53.7%</td> </tr> <tr> <td>Asset-Backed</td> <td>\$178.3 Billion</td> <td>+24.2%</td> </tr> <tr> <td>Municipal</td> <td>\$230.1 Billion</td> <td>-9.6%</td> </tr> </tbody> </table>	Debt Category	\$ Amount	% change over '13	Treasury	\$1.7 Trillion	+3.7%	Corporate	\$1.1 Trillion	+1.9%	Convertible	\$33.2 Billion	+53.7%	Asset-Backed	\$178.3 Billion	+24.2%	Municipal	\$230.1 Billion	-9.6%
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Equity funds reported net *outflows* totaling \$5.4 billion in 9/14, vs. \$1.2 billion of net *inflows* (revised down) in 8/14, according to the Investment Company Institute. Bond funds reported net *outflows* totaling \$20.3 billion, vs. \$4.4 billion of net *inflows* in 8/14. Money Market fund net *inflows* totaled \$22.5 billion, vs. \$36.1 billion of net *inflows* in 8/14. Y-T-D through September, equity funds reported net *inflows* totaling \$46.5 billion, vs. \$45.4 billion of net *inflows* for bond funds (municipals had net *inflows* totaling \$18.4B) and \$114.7 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	2018.05	10/31/14	676.53	03/09/09	2018.05	0.00%	10.99%	1.92%
S&P 500 Growth	1102.84	10/31/14	363.99	03/09/09	1102.84	0.00%	12.57%	1.53%
S&P 500 Value	911.42	09/18/14	307.16	03/09/09	906.42	-0.55%	9.25%	2.37%
S&P 400	1445.16	07/01/14	404.62	03/09/09	1418.71	-1.83%	6.87%	1.47%
S&P 400 Growth	643.31	07/01/14	174.44	11/20/08	632.93	-1.61%	4.76%	1.09%
S&P 400 Value	510.63	07/01/14	144.98	03/09/09	500.11	-2.06%	9.09%	1.86%
S&P 100	897.09	09/19/14	322.13	03/09/09	895.79	-0.14%	10.73%	2.07%
DJIA	17390.52	10/31/14	6547.05	03/09/09	17390.52	0.00%	6.86%	2.18%
NASDAQ 100	4158.21	10/31/14	1036.51	11/20/08	4158.21	0.00%	16.93%	1.25%
Russell 2000	1208.65	03/04/14	343.26	03/09/09	1173.51	-2.91%	1.90%	1.31%
Russell 2000 Growth	725.38	03/04/14	190.73	03/09/09	697.76	-3.81%	1.90%	0.66%
Russell 2000 Value	1554.11	07/03/14	469.32	03/09/09	1496.14	-3.73%	1.91%	1.97%
Russell 3000	1199.57	10/31/14	389.61	03/09/09	1199.57	0.00%	9.89%	1.81%
MSCI World x U.S. (USD)	5496.51	07/03/14	2131.84	03/09/09	5041.70	-8.27%	-2.23%	3.34%
MSCI Emerging Markets (USD)	473.36	10/29/07	156.12	10/31/04	425.42	-10.13%	3.63%	2.74%
Ibovespa/Brazil (USD)	44638.24	05/19/08	8071.21	10/31/04	22355.79	-49.92%	1.65%	4.49%
RTS/Russia (USD)	2487.92	05/19/08	498.20	01/23/09	1091.44	-56.13%	-21.33%	4.15%
S&P BSE 500/India (USD)	226.04	01/07/08	51.10	10/31/04	172.65	-23.62%	38.37%	1.44%
Shanghai Composite/China (USD)	810.24	10/16/07	122.21	07/11/05	395.91	-51.14%	17.03%	2.77%
KOSPI/South Korea (USD)	2.29	10/31/07	0.63	11/20/08	1.84	-19.82%	-3.50%	1.12%
Hang Seng (USD)	4082.25	10/30/07	1420.68	10/27/08	3094.53	-24.20%	6.94%	3.75%
MSCI Euro (USD)	1988.53	10/31/07	680.91	03/09/09	1249.21	-37.18%	-5.54%	3.48%
S&P Consumer Discretionary	548.24	09/05/14	125.72	03/09/09	539.95	-1.51%	3.03%	1.47%
S&P Consumer Staples	480.90	10/31/14	199.80	03/09/09	480.90	0.00%	11.11%	2.57%
S&P Energy	737.09	06/23/14	273.25	11/02/04	641.32	-12.99%	0.26%	2.41%
S&P Utilities	230.93	10/31/14	113.81	03/09/09	230.93	0.00%	23.12%	3.44%
S&P Financials	509.55	02/20/07	81.74	03/06/09	321.20	-36.96%	10.60%	1.74%
S&P Banks	414.38	02/20/07	49.02	03/05/09	229.02	-44.73%	11.31%	1.71%
FTSE NAREIT Equity REITs	676.54	02/07/07	163.57	03/06/09	612.54	-9.46%	23.55%	3.48%
S&P Health Care	778.85	10/31/14	252.84	03/05/09	778.85	0.00%	22.86%	1.46%
S&P Pharmaceuticals	573.00	10/31/14	214.50	03/03/09	573.00	0.00%	19.47%	2.35%
NYSE Arca Biotechnology	3354.32	10/31/14	484.48	04/04/05	3354.32	0.00%	44.12%	0.34%
S&P Information Technology	670.87	10/31/14	198.51	11/20/08	670.87	0.00%	16.09%	1.47%
Philadelphia Semiconductor	657.36	09/18/14	171.32	11/20/08	640.86	-2.51%	21.48%	1.59%
S&P Telecom Services	181.06	05/31/07	88.10	03/09/09	160.83	-11.17%	8.44%	4.85%
S&P Industrials	477.85	06/09/14	132.83	03/09/09	474.83	-0.63%	6.68%	2.01%
S&P Materials	319.68	09/24/14	108.33	03/02/09	304.39	-4.78%	6.12%	2.09%
Philadelphia Gold & Silver	228.95	04/08/11	64.36	10/27/08	64.88	-71.66%	-22.14%	1.80%
Reuters/Jefferies CRB	473.52	07/02/08	200.34	03/02/09	271.96	-42.57%	-2.93%	N/A
Merrill Lynch Perpetual Preferred	207.11	10/31/14	51.79	03/09/09	207.11	0.00%	12.95%	5.44%
Merrill Lynch High Yield Constrained	358.03	09/01/14	130.37	12/12/08	354.42	-1.01%	4.78%	6.31%