











## The Economy

We got the strong bounce back quarter we were looking for in the economy. U.S. real GDP growth grew at a 4.0% annualized rate in Q2'14, up from -2.1% (annualized) in Q1'14. As we noted last month, consumers have been effective in getting their fiscal houses in order. Their confidence levels have also improved. In March 2009, the month in which the stock market bottomed in the last bear market, the Conference Board's Consumer Confidence Index posted a reading of 26.9. As of the close of July, the index stood at 90.9. While that is a sizable shift in sentiment, the index level is still below the 111.9 reading in mid-2007, just before the financial crisis. Consumer Discretionary has been the best performing sector in the S&P 500 since the bull began.

<b>Consumer Confidence</b> <b>90.9</b> (Jul) 85.2 (Jun) 	<b>Crude Oil (Mo.-End)</b> <b>\$98.17</b> (Jul) \$105.37 (Jun) 	<b>Personal Spending</b> <b>+0.4%</b> (Jun) May was +0.2% 	<b>ISM Manufacturing</b> <b>57.1</b> (Jul) 55.3 (Jun) 	<b>ISM Non-Manufacturing</b> <b>58.7</b> (Jul) 56.0 (Jun) 
<b>Gold (Mo.-End)</b> <b>\$1281.30</b> (Jul) \$1322.00 (Jun) 	<b>Natural Gas (Mo.-End)</b> <b>\$3.84</b> (Jul) \$4.46 (Jun) 	<b>Factory Orders</b> <b>+1.1%</b> (Jun) May was -0.5% 	<b>New Home Sales</b> <b>406,000</b> (Jun) 504,000 (May) 	<b>Existing Home Sales</b> <b>5.04M</b> (Jun) 4.89M (May) 

## The Stock Market

### Indices (Source: Bloomberg)

	Jul	12-mo.
S&P 500	-1.4%	16.9%
DJIA	-1.4%	9.4%
NASDAQ 100	1.2%	27.7%
S&P 400	-4.3%	12.9%
Russell 2000	-6.1%	8.6%
Russell 3000	-2.0%	16.4%
MSCI World (ex U.S.) (USD)	-1.8%	15.5%
MSCI Emerging Markets (USD)	1.9%	15.3%

### Growth/Value (Source: Bloomberg)

	Jul	12-mo.
S&P 500 Growth	-1.2%	19.5%
S&P 500 Value	-1.5%	14.3%
S&P 400 Growth	-4.2%	11.2%
S&P 400 Value	-4.3%	14.6%
Russell 2000 Growth	-6.1%	8.9%
Russell 2000 Value	-6.0%	8.2%

Thirty-five out of the 132 subsectors (27%) that comprise the S&P 500 posted a gain in July, down from 91 (69%) last month, according to S&P Dow Jones Indices. Telecom Services was the best performing sector, up 3.68%. In July, the dividend-payers (425) in the S&P 500 (equal weight) posted a total return of -2.48%, vs. -0.59% for the non-payers (76), according to Standard & Poor's. There are currently 501 stocks in the index due to the introduction of Google C shares. Year-to-date, the payers were up 7.05%, vs. a gain of 8.13% for the non-payers. For the 12-month period ended July 2014, payers were up 24.12%, vs. a gain of 23.96% for the non-payers. Year-to-date, there were 254 increases, up from 252 a year ago. There were six decreases, down from 11 a year ago. As of 7/31, the S&P 500 had gone 1,031 days (10/3/11-Present) without experiencing a 10% correction. That is the 5<sup>th</sup> longest stretch in the history of the index, according to Bespoke Investment Group. The 4<sup>th</sup> longest was 1,127 days (7/24/84-8/25/87). The longest was 2,553 days (10/11/90-10/7/97). Sam Stovall, chief stock strategist at S&P Capital IQ, points out that the market has experienced 20 sell-offs of 10.00% to 19.99% (correction territory) since World War II, according to *Kiplinger*. Despite those 20 corrections, large-capitalization stocks have returned 11.1% (annualized) since the end of the war, according to Stovall.

<b>U.S. Dollar Index (DXY)</b> <b>+2.1%</b> (Jul) +1.8% (YTD) \$ was up 0.3% in '13 	<b>CBOE Total Equity Options</b> (# of contracts in millions) Jul: <b>42.0</b> (+15.1%)  Jun: 36.5 (+3.7%) Record 7/08: 67.2 million	<b>Short Interest (NYSE)</b> Jul 14: <b>14.7B</b> (+4.3%)  Jun 15: 14.1B (+2.8%) Record 7/08: 18.61 billion shares	<b>VIX Volatility Index (S&amp;P 500)</b> <b>16.95</b> (7/31)  11.57 (6/30) Record 11/20/08: 80.86
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## The Bond Market

### Index (Source: Barclays)

	Jul	12-mo.	Yield
U.S. Treasury: Intermediate	-0.26%	1.12%	1.23%
GNMA 30 Year	-0.58%	4.40%	3.05%
Municipal Bond (22+)	0.12%	10.82%	3.53%
U.S. Aggregate	-0.25%	3.97%	2.33%
Intermediate Corporate	-0.15%	4.69%	2.34%
U.S. Corporate High Yield	-1.33%	8.19%	5.70%
Global Aggregate	-0.90%	5.10%	1.81%
EM Hard Currency Agg.	-0.43%	8.93%	4.48%

The yield on the benchmark 10-Year T-Note rose three basis points to 2.56% in July. It was down two basis points (2.58%) from 7/31/13. Perhaps the biggest story in July was the sell-off in the high yield corporate bond market. The Barclays U.S. Corporate High Yield Index declined 1.88%, on a price-only basis. Martin Fridson, high-yield "guru" and chief investment officer at Lehmann, Livian, Fridson LLC, believed that high yield bonds had become "extremely overvalued" prior to July's sell-off, according to *Barron's*. The yield on the Barclays U.S. Corporate High Yield Index stood at just 4.91% at the end of June. What hasn't changed is a favorable climate with respect to defaults. The U.S. speculative-grade default rate stood at 1.9% at the end of Q2'14, well below the 4.7% historical average since the early 1980s, according to Moody's.

<b>Key Rates as of July 31</b> Fed Funds 0-0.25% 2-Yr. T-Note 0.53% 10-Yr. T-Note 2.56% 30-Yr. Mortgage 4.29% Bond Buyer 40 4.52% (Source: Bloomberg)	<b>Key Yield Spread</b> The spread between the Merrill Lynch U.S. High Yield Constrained Index and the 10-Yr. T-Note was 362 basis points on 7/31/14, up from 325 on 6/30/14. It was 407 on 7/31/13. (Source: Bloomberg)	<b>2014 Debt Issuance Through June</b> (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>\$1.12 Trillion</td> <td>+14.5%</td> </tr> <tr> <td>Corporate</td> <td>\$784.7 Billion</td> <td>-4.9%</td> </tr> <tr> <td>Convertible</td> <td>\$23.0 Billion</td> <td>+44.2%</td> </tr> <tr> <td>Asset-Backed</td> <td>\$125.2 Billion</td> <td>+33.9%</td> </tr> <tr> <td>Municipal</td> <td>\$153.2 Billion</td> <td>-14.9%</td> </tr> </tbody> </table>	Debt Category	\$ Amount	% change over '13	Treasury	\$1.12 Trillion	+14.5%	Corporate	\$784.7 Billion	-4.9%	Convertible	\$23.0 Billion	+44.2%	Asset-Backed	\$125.2 Billion	+33.9%	Municipal	\$153.2 Billion	-14.9%
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Equity funds reported net *outflows* totaling \$2.4 billion in 6/14, vs. \$449.0 million of net *inflows* (revised down) in 5/14, according to the Investment Company Institute. Bond funds reported net *inflows* totaling \$10.6 billion, vs. \$11.1 billion of net *inflows* in 5/14. Money Market fund net *outflows* totaled \$17.1 billion, vs. \$3.2 billion of net *inflows* in 5/14. Y-T-D through June, equity funds reported net *inflows* totaling \$56.6 billion, vs. \$50.9 billion of net *inflows* for bond funds (municipals had net *inflows* totaling \$10.3B) and \$157.2 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	1987.98	07/24/14	676.53	03/09/09	1930.67	-2.88%	5.66%	1.95%
S&P 500 Growth	1072.98	07/23/14	363.99	03/09/09	1042.17	-2.87%	5.96%	1.53%
S&P 500 Value	905.72	07/24/14	307.16	03/09/09	879.23	-2.92%	5.33%	2.33%
S&P 400	1445.16	07/01/14	404.62	03/09/09	1370.70	-5.15%	2.89%	1.44%
S&P 400 Growth	643.31	07/01/14	174.44	11/20/08	609.84	-5.20%	0.68%	1.05%
S&P 400 Value	510.63	07/01/14	144.98	03/09/09	484.58	-5.10%	5.23%	1.84%
S&P 100	884.51	07/24/14	322.13	03/09/09	858.84	-2.90%	5.60%	2.10%
DJIA	17138.20	07/16/14	6547.05	03/09/09	16563.30	-3.35%	1.20%	2.22%
NASDAQ 100	3986.19	07/23/14	1036.51	11/20/08	3892.50	-2.35%	9.13%	1.31%
Russell 2000	1208.65	03/04/14	343.26	03/09/09	1120.07	-7.33%	-3.06%	1.33%
Russell 2000 Growth	725.38	03/04/14	190.73	03/09/09	658.53	-9.22%	-3.98%	0.65%
Russell 2000 Value	1554.11	07/03/14	469.32	03/09/09	1444.21	-7.07%	-2.10%	1.99%
Russell 3000	1188.32	07/03/14	389.61	03/09/09	1149.59	-3.26%	4.83%	1.82%
MSCI World x U.S. (USD)	5496.51	07/03/14	2131.84	03/09/09	5338.18	-2.88%	3.51%	3.32%
MSCI Emerging Markets (USD)	473.36	10/29/07	137.25	08/11/04	444.11	-6.18%	8.19%	2.68%
Ibovespa/Brazil (USD)	44638.24	05/19/08	6963.16	08/05/04	24629.17	-44.82%	11.99%	4.29%
RTS/Russia (USD)	2487.92	05/19/08	498.20	01/23/09	1219.36	-50.99%	-12.34%	4.90%
Bombay SE 500/India (USD)	226.04	01/07/08	43.90	08/23/04	162.34	-28.18%	29.64%	1.49%
Shanghai Composite/China (USD)	810.24	10/16/07	122.21	07/11/05	356.60	-55.99%	5.10%	3.10%
KOSPI/South Korea (USD)	2.29	10/31/07	0.62	08/02/04	2.02	-11.88%	6.04%	1.06%
Hang Seng (USD)	4082.25	10/30/07	1420.68	10/27/08	3194.39	-21.75%	9.48%	3.64%
MSCI Euro (USD)	1988.53	10/31/07	680.91	03/09/09	1332.56	-32.99%	0.48%	3.51%
S&P Consumer Discretionary	539.97	07/03/14	125.72	03/09/09	522.18	-3.29%	-0.72%	1.45%
S&P Consumer Staples	467.46	06/19/14	199.80	03/09/09	443.51	-5.12%	1.78%	2.73%
S&P Energy	737.09	06/23/14	245.41	08/17/04	702.87	-4.64%	9.22%	2.11%
S&P Utilities	224.93	06/30/14	113.81	03/09/09	209.38	-6.91%	10.61%	3.77%
S&P Financials	509.55	02/20/07	81.74	03/06/09	301.85	-40.76%	3.46%	1.75%
S&P Banks	414.38	02/20/07	49.02	03/05/09	216.76	-47.69%	4.82%	1.72%
FTSE NAREIT Equity REITs	676.54	02/07/07	163.57	03/06/09	581.99	-13.98%	16.29%	3.54%
S&P Health Care	721.38	07/03/14	252.84	03/05/09	704.37	-2.36%	10.74%	1.60%
S&P Pharmaceuticals	550.70	07/03/14	214.50	03/03/09	526.89	-4.32%	9.33%	2.56%
NYSE Arca Biotechnology	2946.23	02/25/14	447.78	08/09/04	2737.17	-7.10%	17.55%	0.16%
S&P Information Technology	656.35	07/24/14	198.51	11/20/08	641.32	-2.29%	10.53%	1.49%
Philadelphia Semiconductor	651.76	07/16/14	171.32	11/20/08	607.55	-6.78%	14.69%	1.62%
S&P Telecom Services	181.06	05/31/07	88.10	03/09/09	162.31	-10.36%	8.11%	4.78%
S&P Industrials	477.85	06/09/14	132.83	03/09/09	446.40	-6.58%	-0.22%	2.07%
S&P Materials	317.11	07/28/14	108.33	03/02/09	307.19	-3.13%	6.56%	2.04%
Philadelphia Gold & Silver	228.95	04/08/11	64.36	10/27/08	98.87	-56.82%	18.32%	1.41%
Reuters/Jefferies CRB	473.52	07/02/08	200.34	03/02/09	294.43	-37.82%	5.09%	N/A
Merrill Lynch Perpetual Preferred	204.52	07/11/14	51.79	03/09/09	203.16	-0.67%	10.79%	5.52%
Merrill Lynch High Yield Constrained	357.68	07/07/14	130.37	12/12/08	352.60	-1.42%	4.24%	6.18%