











The Economy

The cost of financing government debt remains exceptionally low worldwide. Bank of America reported that 45% of all government bonds outstanding yield less than 1.00%, according to Bloomberg. The European Central Bank continues to fuel the downward pressure on interest rates via rate cuts and its decision to embark on a program of purchasing debt securities. The absence of any significant inflationary pressures around the globe has helped keep the price of gold in check, in our opinion. The price of an ounce of gold bullion closed 8/31/14 at \$1,286.50, down 31.9% from its all-time closing high of \$1,888.70 on 8/22/11. The Philadelphia Gold & Silver Index (miners) stood 55.3% below its 7-year high (4/8/11) on 8/31/14.

Consumer Confidence 92.4 (Aug) 90.9 (Jul) 	Crude Oil (Mo.-End) \$95.96 (Aug)  \$98.17 (Jul)	Personal Spending -0.1% (Jul)  Jun was +0.4%	ISM Manufacturing 59.0 (Aug)  57.1 (Jul)	ISM Non-Manufacturing 59.6 (Aug)  58.7 (Jul)
Gold (Mo.-End) \$1286.50 (Aug)  \$1281.30 (Jul)	Natural Gas (Mo.-End) \$4.07 (Aug)  \$3.84 (Jul)	Factory Orders +10.5% (Jul)  Jun was +1.1%	New Home Sales 412,000 (Jul)  406,000 (Jun)	Existing Home Sales 5.15M (Jul)  5.04M (Jun)

The Stock Market





Indices (Source: Bloomberg)

	Aug	12-mo.
S&P 500	4.0%	25.3%
DJIA	3.6%	18.1%
NASDAQ 100	5.1%	34.6%
S&P 400	5.1%	23.3%
Russell 2000	5.0%	17.7%
Russell 3000	4.2%	24.7%
MSCI World (ex U.S.) (USD)	0.1%	17.1%
MSCI Emerging Markets (USD)	2.3%	20.0%

Growth/Value (Source: Bloomberg)

	Aug	12-mo.
S&P 500 Growth	4.4%	27.5%
S&P 500 Value	3.6%	22.8%
S&P 400 Growth	4.9%	21.1%
S&P 400 Value	5.3%	25.5%
Russell 2000 Growth	4.1%	16.3%
Russell 2000 Value	4.5%	20.9%

One hundred and twenty-four out of the 132 subsectors (94%) that comprise the S&P 500 posted a gain in August, up from 35 (27%) last month, according to S&P Dow Jones Indices. Utilities was the best performing sector, up 4.97%. In August, the dividend-payers (424) in the S&P 500 (equal weight) posted a total return of 3.99%, vs. 5.44% for the non-payers (78), according to S&P Dow Jones Indices. There are currently 502 stocks in the index. Year-to-date, the payers were up 11.33%, vs. a gain of 14.01% for the non-payers. For the 12-month period ended August 2014, payers were up 32.80%, vs. a gain of 34.36% for the non-payers. The number of dividend increases in August totaled 26, up from 18 a year ago. Y-T-D, there were 280 increases, up from 270 a year ago. There were no decreases in August, and none a year ago. Y-T-D, there were six decreases, down from 11 a year ago. There are currently 12,052 analyst ratings for S&P 500 stocks, which equates to 24 ratings per stock in the index, according to Bespoke Investment Group. Of those 12,052 ratings, 6,038 are Buy ratings, 747 are Sell ratings and 5,267 are Hold ratings. Bespoke noted that the current ratings breakdown (Buy/Sell/Hold) is close to the norm. The two most widely followed sectors are Technology and Energy. The sectors with the highest percentage of Buy ratings are Health Care (58.3%), Energy (55.7%), Technology (54.5%) and Industrials (51.9%).

U.S. Dollar Index (DXY) +1.6% (Aug)  +3.4% (YTD) \$ was up 0.3% in '13	CBOE Total Equity Options (# of contracts in millions) Aug: 33.1 (-21.2%)  Jul: 42.0 (+15.1%) Record 7/08: 67.2 million	Short Interest (NYSE) Aug 14: 14.8B (+0.7%)  Jul 14: 14.7B (+4.3%) Record 7/08: 18.61 billion shares	VIX Volatility Index (S&P 500) 11.98 (8/31)  16.95 (7/31) Record 11/20/08: 80.86
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The Bond Market

Index (Source: Barclays)	Aug	12-mo.	Yield
U.S. Treasury: Intermediate	0.64%	2.23%	1.15%
GNMA 30 Year	0.89%	5.58%	2.91%
Municipal Bond (22+)	1.86%	16.17%	3.26%
U.S. Aggregate	1.10%	5.66%	2.22%
Intermediate Corporate	0.86%	6.20%	2.24%
U.S. Corporate High Yield	1.59%	10.58%	5.20%
Global Aggregate	0.55%	6.24%	1.69%
EM Hard Currency Agg.	0.63%	11.70%	4.38%

The yield on the benchmark 10-Year T-Note declined 22 basis points to 2.34% in August. It was down 45 basis points from 2.79% on 8/30/13. Interest rates fell in August due in part to some soft economic data in Q2'14 in Europe and the uncertainty over sanctions between European nations and Russia stemming from the Russia/Ukraine conflict. Government bonds (10-yr. maturity) issued by European nations have seen their yields fall anywhere from one basis point to 52 basis points over the past month (thru 9/4). Municipal bonds have performed very well over the past 12 months. Data compiled by the Rockefeller Institute shows that total state tax collections declined by 0.3% (y-o-y) in Q1'14, ending a streak of 16 consecutive quarters of tax revenue growth, according to its own release. Worth monitoring.

Key Rates as of August 31		Key Yield Spread		2014 Debt Issuance Through July		
		The spread between the Merrill Lynch U.S. High Yield Constrained Index and the 10-Yr. T-Note was 363 basis points on 8/31/14, up from 362 on 7/31/14. It was 407 on 8/31/13.		(Source: Thomson Reuters)		
				Debt Category	\$ Amount	% change over '13
Fed Funds	0-0.25%			Treasury	\$1.31 Trillion	+4.0%
2-Yr. T-Note	0.49%			Corporate	\$890.4 Billion	+9.7%
10-Yr. T-Note	2.34%			Convertible	\$26.6 Billion	+53.8%
30-Yr. Mortgage	4.07%			Asset-Backed	\$142.1 Billion	26.9%
Bond Buyer 40	4.40%			Municipal	\$179.1 Billion	-14.8%
(Source: Bloomberg)		(Source: Bloomberg)				

Equity funds reported net *outflows* totaling \$6.4 billion in 7/14, vs. \$2.0 billion of net *outflows* (revised down) in 6/14, according to the Investment Company Institute. Bond funds reported net *inflows* totaling \$9.1 billion, vs. \$10.7 billion of net *inflows* in 6/14. Money Market fund net *outflows* totaled \$16.1 billion, vs. \$17.1 billion of net *outflows* in 6/14. Y-T-D through July, equity funds reported net *inflows* totaling \$50.8 billion, vs. \$60.4 billion of net *inflows* for bond funds (municipals had net *inflows* totaling \$11.7B) and \$173.4 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	2003.37	08/29/14	676.53	03/09/09	2003.37	0.00%	9.88%	1.90%
S&P 500 Growth	1085.37	08/26/14	363.99	03/09/09	1085.31	-0.01%	10.57%	1.53%
S&P 500 Value	908.72	08/29/14	307.16	03/09/09	908.72	0.00%	9.14%	2.32%
S&P 400	1445.16	07/01/14	404.62	03/09/09	1438.18	-0.48%	8.11%	1.39%
S&P 400 Growth	643.31	07/01/14	174.44	11/20/08	639.01	-0.67%	5.60%	1.01%
S&P 400 Value	510.63	07/01/14	144.98	03/09/09	509.11	-0.30%	10.76%	1.79%
S&P 100	889.08	08/29/14	322.13	03/09/09	889.08	0.00%	9.59%	2.06%
DJIA	17138.20	07/16/14	6547.05	03/09/09	17098.45	-0.23%	4.84%	2.19%
NASDAQ 100	4082.56	08/29/14	1036.51	11/20/08	4082.56	0.00%	14.69%	1.27%
Russell 2000	1208.65	03/04/14	343.26	03/09/09	1174.35	-2.84%	1.75%	1.28%
Russell 2000 Growth	725.38	03/04/14	190.73	03/09/09	694.84	-4.21%	1.38%	0.63%
Russell 2000 Value	1554.11	07/03/14	469.32	03/09/09	1504.66	-3.18%	2.15%	1.93%
Russell 3000	1195.42	08/29/14	389.61	03/09/09	1195.42	0.00%	9.23%	1.78%
MSCI World x U.S. (USD)	5496.51	07/03/14	2131.84	03/09/09	5342.44	-2.80%	3.60%	3.28%
MSCI Emerging Markets (USD)	473.36	10/29/07	144.16	08/31/04	454.12	-4.06%	10.63%	2.66%
Ibovespa/Brazil (USD)	44638.24	05/19/08	7505.93	09/13/04	27372.98	-38.68%	24.46%	3.89%
RTS/Russia (USD)	2487.92	05/19/08	498.20	01/23/09	1190.23	-52.16%	-14.43%	4.81%
S&P BSE 500/India (USD)	226.04	01/07/08	45.86	08/31/04	166.84	-26.19%	33.43%	1.52%
Shanghai Composite/China (USD)	810.24	10/16/07	122.21	07/11/05	360.90	-55.46%	6.45%	3.07%
KOSPI/South Korea (USD)	2.29	10/31/07	0.63	11/20/08	2.04	-11.00%	7.12%	1.06%
Hang Seng (USD)	4082.25	10/30/07	1420.68	10/27/08	3192.44	-21.80%	9.68%	3.65%
MSCI Euro (USD)	1988.53	10/31/07	680.91	03/09/09	1329.62	-33.14%	0.29%	3.44%
S&P Consumer Discretionary	545.92	08/27/14	125.72	03/09/09	544.81	-0.20%	3.73%	1.41%
S&P Consumer Staples	467.46	06/19/14	199.80	03/09/09	463.79	-0.79%	6.56%	2.62%
S&P Energy	737.09	06/23/14	255.56	08/31/04	715.72	-2.90%	11.66%	2.12%
S&P Utilities	224.93	06/30/14	113.81	03/09/09	218.70	-2.77%	16.11%	3.62%
S&P Financials	509.55	02/20/07	81.74	03/06/09	313.99	-38.38%	7.84%	1.70%
S&P Banks	414.38	02/20/07	49.02	03/05/09	222.85	-46.22%	8.00%	1.71%
FTSE NAREIT Equity REITs	676.54	02/07/07	163.57	03/06/09	599.33	-11.41%	20.09%	3.47%
S&P Health Care	737.60	08/29/14	252.84	03/05/09	737.60	0.00%	16.12%	1.53%
S&P Pharmaceuticals	550.70	07/03/14	214.50	03/03/09	545.21	-1.00%	13.40%	2.47%
NYSE Arca Biotechnology	3131.89	08/29/14	484.48	04/04/05	3131.89	0.00%	34.56%	0.14%
S&P Information Technology	664.91	08/29/14	198.51	11/20/08	664.91	0.00%	14.92%	1.47%
Philadelphia Semiconductor	651.76	07/16/14	171.32	11/20/08	645.25	-1.00%	22.14%	1.55%
S&P Telecom Services	181.06	05/31/07	88.10	03/09/09	160.57	-11.32%	7.03%	4.83%
S&P Industrials	477.85	06/09/14	132.83	03/09/09	464.00	-2.90%	3.99%	2.03%
S&P Materials	318.09	08/29/14	108.33	03/02/09	318.09	0.00%	10.57%	2.00%
Philadelphia Gold & Silver	228.95	04/08/11	64.36	10/27/08	102.27	-55.33%	22.51%	1.18%
Reuters/Jefferies CRB	473.52	07/02/08	200.34	03/02/09	292.75	-38.18%	4.49%	N/A
Merrill Lynch Perpetual Preferred	206.50	08/27/14	51.79	03/09/09	206.44	-0.03%	12.58%	5.46%
Merrill Lynch High Yield Constrained	357.97	08/31/14	130.37	12/12/08	357.97	0.00%	5.83%	5.97%