

The Economy

Jeremy Siegel, market historian and finance professor at the University of Pennsylvania's Wharton School, is forecasting an annualized return of 8.0% (after inflation) for the S&P 500 over the next ten years, according to *Kiplinger*. Siegel sees the S&P 500, which is up 4.0% this year through June 29, ending 2009 up 10-12%. Siegel believes that the economy is going to grow faster than expected over the next six months. He sees a V-shaped recovery, but says the upward slope of the V will not be as steep as usual. While job losses hurt, the flipside to rising unemployment is a leaner Corporate America.

Consumer Confidence 49.3 (Jun) 54.9 (May)	Crude Oil (Mo.-End) \$69.89 (Jun) \$66.31 (May)	Personal Spending 0.3% (May) -0.1% (Apr)	ISM Manufacturing 44.8 (Jun) 42.8 (May)	ISM Non-Manufacturing 47.0 (Jun) 44.0 (May)
Gold (Mo.-End) \$927.40 (Jun) \$978.80 (May)	Natural Gas (Mo.-End) \$3.84 (Jun) No Change \$3.84 (May)	Factory Orders 1.2% (May) 0.7% (Apr)	New Home Sales 342,000 (May) 352,000 (Apr)	Existing Home Sales 4.77M (May) 4.68M (Apr)

The Stock Market

Indices (Source: Bloomberg)	June	12-mo.	Sixty-two out of the 134 subsectors that comprise the S&P 500 posted a gain in June, down from 86 last month. In June, the dividend-payers (360) in the S&P 500 (equal weight) posted a total return of -0.84%, vs. 0.26% for the non-payers (140), according to Standard & Poor's. Year-to-date, the payers are down 2.43%, vs. a gain of 24.44% for the non-payers. For the 12-month period ended June '09, payers were off 32.85%, vs. a decline of 23.36% for the non-payers. The number of dividend increases year-to-date totaled 86. That significantly lagged the 158 increases registered at this point in 2008. The number of companies that decreased their dividend totaled 55, up from 16 a year ago. Ten companies have suspended their dividend payments, up from four a year ago. Technology was the best performing major sector (+24.9%) in the first half of 2009, as measured by Standard & Poor's. Materials came in a distant second, up 13.9%. The NASDAQ Composite outperformed the DJIA (price-only) by the second largest first-half margin (+16.36% vs. -3.75%) since 1972, according to Bespoke Investment Group. The 20.11 percentage point spread was topped only by the 20.37 percentage point spread in 1983. Four of the top five performing DJIA stocks in the first half were technology companies. 52% of the NASDAQ Composite is currently comprised of technology issues.
S&P 500 DJIA Nasdaq 100 S&P 400 Russell 2000 MSCI World (ex U.S.) (USD) MSCI Emerging Markets (USD)	0.2% -0.4% 2.9% 0.6% 1.5% -1.0% -1.3%	-26.2% -23.0% -19.0% -28.0% -25.0% -31.5% -28.4%	
Growth/Value (Source: Bloomberg)	June	12-mo.	
S&P 500 Citigroup Growth S&P 500 Citigroup Value S&P Midcap 400/Citigroup Growth S&P Midcap 400/Citigroup Value Russell 2000 Growth Russell 2000 Value	0.8% -0.5% 0.5% 0.7% 3.2% -0.3%	-23.9% -28.6% -28.9% -27.2% -24.9% -25.3%	

U.S. Dollar (U.S. Trade-Weighted Basket) 2.2% (Jun) -2.2% (Y-T-D) \$ was up 7.8% in '08	CBOE Total Equity Options (# of contracts in millions) Jun: 52.1 (-10.8%) May: 58.4 (-9.2%) Record 7/08: 67.2 million	Short Interest (NYSE) Jun 15: 15.3B (+1.3%) May 15: 15.1B (-3.8%) Record 7/08: 18.61 billion shares	VIX Volatility Index (S&P 500) 26.35 (6/30) 28.92 (5/29) Record 11/20/08: 80.86
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The Bond Market

Index (Source: Barclays)	June	12-mo.	Yield	The yield on the 10-Yr. T-Bond rose 8 basis points in June closing at 3.54% – 43 basis points below its close (3.97%) on 6/08. The number of companies with an increased risk of defaulting on their debt fell for the third consecutive month in June, according to Reuters. Kamakura's index of "troubled" public companies stood at 16.4% of the global public company universe in June, down from its recent peak of 24.3% in March. The all-time high was 28.0% in September '01. The U.S. speculative-grade default rate stood at 10.2% in May. Moody's is now forecasting the rate will rise to 13.5% by December '09, and then dip to 6.7% by May 2010. While the number of bank failures has accelerated in '09, the costs associated with the bailouts are not dramatically higher. 52 banks have failed (\$12.3 billion), vs. 25 for all of 2008 (\$17.6 billion), according to the FDIC.
U.S. Treasury: Intermediate GNMA 30 Year Municipal Bond (22+) U.S. Aggregate Intermediate Corporate U.S. Corporate High Yield Global Aggregate Global Emerging Markets	-0.38% -0.11% -1.46% 0.57% 1.97% 2.86% 0.41% 1.60%	6.12% 8.48% -2.02% 6.05% 3.84% -2.40% 2.76% -1.52%	2.02% 4.53% 5.76% 4.12% 5.67% 12.28% 3.41% 8.10%	

Key Rates as of June 30 Fed Funds 0-0.25% 2-Yr. T-Note 1.11% 10-Yr. T-Bond 3.54% 30-Yr. Mortgage 5.38% Bond Buyer 40 5.41% (Source: Bloomberg)	Key Yield Spread The spread between the Merrill Lynch High Yield Master II Index and the 10-Yr. T-Bond was 954 basis points on 6/30/09, down from 1,070 on 5/29/09. It was 678 on 6/30/08. (Source: Bloomberg)	2009 Debt Issuance thru 5/09 (Source: Thomson Financial) <table border="1"> <thead> <tr> <th>Debt Category</th> <th>\$ Amount</th> <th>% change over '08</th> </tr> </thead> <tbody> <tr> <td>Corporate</td> <td>\$753.0 Billion</td> <td>+53.9%</td> </tr> <tr> <td>Convertible</td> <td>\$11.4 Billion</td> <td>-54.2%</td> </tr> <tr> <td>Asset-Backed</td> <td>\$38.2 Billion</td> <td>-59.2%</td> </tr> <tr> <td>Municipal</td> <td>\$152.6 Billion</td> <td>-15.6%</td> </tr> </tbody> </table>	Debt Category	\$ Amount	% change over '08	Corporate	\$753.0 Billion	+53.9%	Convertible	\$11.4 Billion	-54.2%	Asset-Backed	\$38.2 Billion	-59.2%	Municipal	\$152.6 Billion	-15.6%
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The Investment Climate

Net cash inflows to equity funds totaled \$18.3 billion in 5/09, vs. inflows totaling \$11.9 billion in 4/09, according to the Investment Company Institute. Bond funds had inflows totaling \$31.6 billion, vs. inflows totaling \$28.5 billion in 4/09. Money Market funds had outflows totaling \$25.8 billion, vs. outflows totaling \$23.2 billion in 4/09. Y-T-D thru May, equity fund outflows totaled \$12.6B, vs. \$113.6B in bond fund inflows & \$72.9B in MMF outflows.

Index	10-Yr. High Value	Date	10-Yr. Low Value	Date	Month-End Value	% Off High Value	Month-End Yield
S&P 500	1565.15	10/09/07	676.53	03/09/09	919.32	-41.26%	2.98%
S&P 500/Citigroup Growth	953.77	03/27/00	363.99	03/09/09	479.82	-49.69%	1.87%
S&P 500/Citigroup Value	836.19	07/13/07	307.16	03/09/09	432.89	-48.23%	4.23%
S&P 400	926.23	07/13/07	369.50	10/18/99	578.14	-37.58%	1.97%
S&P 400/Citigroup Growth	383.70	06/05/08	162.27	10/09/02	251.84	-34.37%	0.80%
S&P 400/Citigroup Value	361.18	06/04/07	122.85	10/18/99	208.52	-42.27%	3.19%
S&P 100	832.65	03/24/00	322.13	03/09/09	429.66	-48.40%	3.10%
DJIA	14164.53	10/09/07	6547.05	03/09/09	8447.00	-40.37%	3.44%
NASDAQ 100	4704.73	03/27/00	804.64	10/07/02	1477.25	-68.60%	0.67%
Russell 2000	855.77	07/13/07	327.04	10/09/02	508.28	-40.61%	1.90%
Russell 2000 Growth	498.17	03/27/00	169.69	10/09/02	285.18	-42.75%	0.70%
Russell 2000 Value	1276.63	06/04/07	463.26	10/29/99	688.15	-46.10%	3.15%
Russell 3000	907.58	10/09/07	389.61	03/09/09	535.62	-40.98%	2.75%
MSCI World x USA (USD)	2389.57	10/31/07	809.32	03/12/03	1318.74	-44.81%	N/A
MSCI Emerging Markets (USD)	1338.49	10/29/07	245.64	09/21/01	761.30	-43.12%	N/A
Bovespa/Brazil (USD)	73516.81	05/20/08	8370.88	10/16/02	51465.46	-29.99%	3.47%
RTS/Russia (USD)	2487.92	05/19/08	76.15	09/21/99	987.02	-60.33%	2.15%
Bombay SE 500/India (USD)	8882.28	01/07/08	792.18	09/21/01	5492.03	-38.17%	1.19%
Shanghai Composite/China (USD)	6092.06	10/16/07	1011.50	07/11/05	2959.36	-51.42%	1.36%
Hang Seng (USD)	31638.22	10/30/07	8409.01	04/25/03	18378.73	-41.91%	3.50%
MSCI Euro (USD)	1590.66	03/06/00	539.93	03/09/09	712.44	-55.21%	4.79%
S&P Consumer Discretionary	318.54	06/04/07	125.72	03/09/09	182.15	-42.82%	3.49%
S&P Consumer Staples	306.61	12/10/07	150.55	03/14/00	238.18	-22.32%	3.29%
S&P Energy	668.81	05/20/08	163.83	07/23/02	373.84	-44.10%	2.33%
S&P Utilities	223.91	12/10/07	77.27	10/09/02	141.90	-36.63%	4.67%
S&P Financials	509.55	02/20/07	81.74	03/06/09	160.76	-68.45%	4.20%
S&P Banks	414.38	02/20/07	49.02	03/05/09	106.99	-74.18%	5.16%
FTSE NAREIT Equity REITs	676.54	02/07/07	163.57	03/06/09	242.83	-64.11%	7.90%
S&P Health Care	444.98	12/28/00	252.84	03/05/09	306.45	-31.13%	2.42%
S&P Pharmaceuticals	496.83	12/28/00	214.50	03/03/09	257.20	-48.23%	4.12%
NYSE Arca Biotechnology	886.57	08/14/08	214.34	06/30/99	697.17	-21.36%	2.29%
S&P Information Technology	988.49	03/27/00	172.88	10/09/02	287.63	-70.90%	1.07%
Philadelphia Semiconductor	1332.73	03/10/00	171.32	11/20/08	263.15	-80.25%	1.71%
S&P Telecom Services	339.28	11/29/99	79.00	09/30/02	104.18	-69.29%	5.85%
S&P Industrials	381.16	10/09/07	132.83	03/09/09	191.29	-49.81%	3.78%
S&P Materials	285.91	05/16/08	102.55	10/09/02	154.48	-45.97%	3.12%
Philadelphia Gold & Silver	206.37	03/14/08	41.85	11/17/00	139.02	-32.64%	0.86%
Reuters/Jefferies CRB	473.52	07/02/08	183.23	07/13/99	249.96	-47.21%	N/A
Merrill Lynch Perpetual Preferred	197.85	05/08/07	51.79	03/09/09	113.35	-42.71%	9.55%
Merrill Lynch High Yield Master II	198.78	05/29/07	106.67	10/10/02	186.43	-6.21%	13.08%