

The Economy

The Blue Chip Economic Indicators survey of 50 economists in March revealed a Gross Domestic Product forecast of 3.4% for 2011. That call is up from 2.5% in November 2010. Brian Wesbury, Chief Economist at First Trust Advisors, is targeting 4.0% for 2011. We had another decent nonfarm payroll in March (216,000). The Business Roundtable announced on March 30 that 52% of its members (approximately 200 large company CEOs based in the U.S.) plan to increase hiring in the next six months, according to *USA TODAY*. That is the highest percentage since the survey began nine years ago. More than 60% plan to spend more on long-lasting manufactured goods, such as computers and machinery. Ninety percent expect sales to increase.

Consumer Confidence 63.4 (Mar) 70.4 (Feb)	Crude Oil (Mo.-End) \$106.72 (Mar) \$96.97 (Feb)	Personal Spending 0.7% (Feb) Jan was 0.2%	ISM Manufacturing 61.2 (Mar) 61.4 (Feb)	ISM Non-Manufacturing 57.3 (Mar) 59.7 (Feb)
Gold (Mo.-End) \$1438.90 (Mar) \$1409.90 (Feb)	Natural Gas (Mo.-End) \$4.39 (Mar) \$4.04 (Feb)	Factory Orders -0.1% (Feb) Jan was 3.1%	New Home Sales 250,000 (Feb) 284,000 (Jan)	Existing Home Sales 4.88M (Feb) 5.36M (Jan)

The Stock Market

Indices (Source: Bloomberg)

	Mar	12-mo.
S&P 500	0.0%	15.7%
DJIA	0.9%	16.5%
NASDAQ 100	-0.5%	20.4%
S&P 400	2.5%	27.0%
Russell 2000	2.6%	25.8%
Russell 3000	0.5%	17.4%
MSCI World (ex U.S.) (USD)	-2.0%	12.3%
MSCI Emerging Markets (USD)	5.9%	18.6%

Growth/Value (Source: Bloomberg)

	Mar	12-mo.
S&P 500 Citigroup Growth	0.3%	16.6%
S&P 500 Citigroup Value	-0.2%	14.9%
S&P Midcap 400/Citigroup Growth	3.0%	31.1%
S&P Midcap 400/Citigroup Value	1.9%	23.0%
Russell 2000 Growth	3.8%	31.0%
Russell 2000 Value	1.4%	20.6%

Sixty-seven out of the 133 subsectors (50%) that comprise the S&P 500 posted a gain in March, down from 112 last month, according to S&P. Telecommunication Services was the top performing sector, up 5.3%. In March, the dividend-payers (384) in the S&P 500 (equal weight) posted a total return of 0.68%, vs. 1.35% for the non-payers (116), according to Standard & Poor's. In Q1, the payers were up 6.83%, vs. a gain of 8.26% for the non-payers. For the 12-month period ended March '11, payers were up 17.06%, vs. a gain of 16.14% for the non-payers. The number of dividend increases in Q1 totaled 107, up from 70 increases a year ago. Ten companies initiated dividends, up from eight a year ago. S&P 500 earnings (y-o-y) are expected to grow by 12.0% in Q1'11, 11.6% in Q2'11, 15.0% in Q3'11 and 15.5% in Q4'11, according to Bespoke Investment Group. The following five sectors are expected to post earnings growth above the 12% estimate for the index in Q1: Energy (26.7%); Materials (+25.6%); Industrials (+22.8%); Technology (+16.0%); and Financials (+14.9%). S&P 500 stock buybacks totaled \$86.4 billion in Q4'10, up 80.8% from the \$47.8 billion executed in Q4'09, according to S&P. Q4 marked the 6th consecutive quarter companies increased their buyback activity. Buybacks totaled \$299 billion in '10, up 116.7% from the \$138 billion spent in 2009. Companies paid out \$206 billion in dividends in 2010.

U.S. Dollar (U.S. Trade-Weighted Basket) -0.9% (Mar) -3.9% (2011) \$ was down 1.1% in '10	CBOE Total Equity Options (# of contracts in millions) Mar: 49.4 (+0.4%) Feb: 49.2 (-15.2%) Record 7/08: 67.2 million	Short Interest (NYSE) Mar 15: 12.5B (-2.3%) Feb 15: 12.8B (+1.6%) Record 7/08: 18.61 billion shares	VIX Volatility Index (S&P 500) 17.74 (3/31) 18.35 (2/28) Record 11/20/08: 80.86
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The Bond Market

Index (Source: Barclays)

	Mar	12-mo.	Yield
U.S. Treasury: Intermediate	-0.07%	4.06%	1.72%
GNMA 30 Year	0.27%	5.37%	3.70%
Municipal Bond (22+)	-0.75%	-1.48%	5.74%
U.S. Aggregate	0.06%	5.12%	3.08%
Intermediate Corporate	-0.05%	6.79%	3.44%
U.S. Corporate High Yield	0.32%	14.31%	7.02%
Global Aggregate	0.47%	7.15%	2.95%
Global Emerging Markets	1.68%	9.64%	5.74%

A fairly subdued month for fixed-income. Investors should note that the 12-month return on the S&P 500 beat the return in every major fixed-income category. One category that does not receive enough attention is convertibles. This hybrid security offers competitive yields coupled with participation in the equities markets. Because the underlying value of a convertible security is heavily influenced by the performance of its common stock counterpart, convertibles can be a useful hedge against inflation and rising interest rates. The basic premise is that common stocks can appreciate when rates rise if the root cause is accelerating economic activity and strong earnings. It helps if companies enjoy pricing power. The Merrill Lynch U.S. Convertibles Index (All Qualities) returned 16.15% over the past 12 months.

Key Rates as of March 31		Key Yield Spread		2011 Debt Issuance Through February		
		The spread between the Merrill Lynch High Yield Master II Index and the 10-Yr. T-Bond was 399 basis points on 3/31/11, up from 398 on 2/28/11. It was 480 on 3/31/10. (Source: Bloomberg)		(Source: Thomson Reuters)		
		Debt Category	\$ Amount	% change over '10		
Fed Funds	0-0.25%	Treasury	\$369.3 Billion	+21.0%		
2-Yr. T-Note	0.83%	Corporate	\$221.1 Billion	+33.1%		
10-Yr. T-Bond	3.47%	Convertible	\$3.0 Billion	+64.7%		
30-Yr. Mortgage	4.86%	Asset-Backed	\$17.1 Billion	-5.0%		
Bond Buyer 40	5.71%	Municipal	\$28.6 Billion	-52.2%		
(Source: Bloomberg)						

Equity funds reported net cash inflows totaling \$13.0 billion in 2/11, vs. an upwardly revised \$19.7 billion of inflows in 1/11, according to the Investment Company Institute. Bond fund inflows totaled \$7.7 billion, vs. \$1.8 billion of outflows in 1/11. Money Market fund inflows totaled \$12.0 billion, vs. \$75.6 billion of outflows in 1/11. Y-T-D through February, equity funds reported net inflows totaling \$32.7 billion, vs. \$5.8 billion of inflows for bond funds and \$63.6 billion of 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	1565.15	10/09/07	676.53	03/09/09	1325.83	-15.29%	5.92%	1.81%
S&P 500/Citigroup Growth	730.83	10/12/07	363.99	03/09/09	689.71	-5.63%	5.07%	1.63%
S&P 500/Citigroup Value	836.19	07/13/07	307.16	03/09/09	627.07	-25.01%	6.81%	1.99%
S&P 400	989.05	03/31/11	372.88	10/09/02	989.05	0.00%	9.36%	1.22%
S&P 400/Citigroup Growth	445.96	03/31/11	162.27	10/09/02	445.96	0.00%	9.84%	0.76%
S&P 400/Citigroup Value	361.18	06/04/07	135.55	10/09/02	344.55	-4.60%	8.90%	1.67%
S&P 100	729.79	10/09/07	322.13	03/09/09	592.72	-18.78%	5.29%	1.93%
DJIA	14164.53	10/09/07	6547.05	03/09/09	12319.73	-13.02%	7.07%	2.34%
NASDAQ 100	2397.94	02/16/11	804.64	10/07/02	2338.99	-2.46%	5.62%	0.79%
Russell 2000	855.77	07/13/07	327.04	10/09/02	843.55	-1.43%	7.94%	1.24%
Russell 2000 Growth	480.58	03/31/11	169.69	10/09/02	480.58	0.00%	9.24%	0.62%
Russell 2000 Value	1276.63	06/04/07	469.32	03/09/09	1123.05	-12.03%	6.60%	1.89%
Russell 3000	907.58	10/09/07	389.61	03/09/09	793.85	-12.53%	6.38%	1.71%
MSCI World x U.S. (USD)	5379.90	10/31/07	1636.59	03/12/03	4328.56	-19.54%	3.82%	N/A
MSCI Emerging Markets (USD)	473.35	10/29/07	75.12	09/21/01	445.96	-5.79%	2.05%	N/A
Bovespa/Brazil (USD)	44638.24	05/19/08	2160.80	10/16/02	42132.01	-5.61%	1.24%	3.13%
RTS/Russia (USD)	2487.92	05/19/08	161.27	04/04/01	2044.20	-17.83%	15.47%	1.45%
Bombay SE 500/India (USD)	226.04	01/07/08	16.50	09/21/01	166.81	-26.20%	-6.22%	1.26%
Shanghai Composite/China (USD)	810.24	10/16/07	122.21	07/11/05	447.16	-44.81%	5.22%	1.37%
KOSPI/South Korea (USD)	2.29	10/31/07	0.36	04/04/01	1.92	-16.22%	6.27%	1.18%
Hang Seng (USD)	4082.25	10/30/07	1078.13	04/25/03	3024.58	-25.91%	2.37%	2.69%
MSCI Euro (USD)	1988.53	10/31/07	598.84	03/12/03	1259.52	-36.66%	9.80%	3.47%
S&P Consumer Discretionary	318.54	06/04/07	125.72	03/09/09	308.40	-3.18%	4.71%	1.42%
S&P Consumer Staples	309.52	03/30/11	182.72	03/10/03	308.85	-0.22%	2.52%	3.16%
S&P Energy	668.81	05/20/08	163.83	07/23/02	589.31	-11.89%	16.79%	1.57%
S&P Utilities	223.91	12/10/07	77.27	10/09/02	161.92	-27.69%	2.78%	4.34%
S&P Financials	509.55	02/20/07	81.74	03/06/09	220.71	-56.69%	3.06%	1.14%
S&P Banks	414.38	02/20/07	49.02	03/05/09	149.42	-63.94%	0.80%	1.03%
FTSE NAREIT Equity REITs	676.54	02/07/07	163.57	03/06/09	454.63	-32.80%	7.50%	3.49%
S&P Health Care	426.93	05/07/07	252.84	03/05/09	383.00	-10.29%	5.62%	2.06%
S&P Pharmaceuticals	449.36	05/17/01	214.50	03/03/09	302.21	-32.75%	2.60%	3.66%
NYSE Arca Biotechnology	1369.80	03/31/11	280.09	07/10/02	1369.80	0.00%	5.56%	1.16%
S&P Information Technology	443.16	05/22/01	172.88	10/09/02	417.63	-5.76%	3.47%	0.88%
Philadelphia Semiconductor	706.15	05/21/01	171.32	11/20/08	437.36	-38.06%	6.46%	1.19%
S&P Telecom Services	205.51	05/01/01	79.00	09/30/02	133.25	-35.16%	4.85%	4.95%
S&P Industrials	381.16	10/09/07	132.83	03/09/09	325.80	-14.52%	8.75%	1.87%
S&P Materials	285.91	05/16/08	102.55	10/09/02	249.36	-12.78%	4.54%	1.73%
Philadelphia Gold & Silver	228.76	12/06/10	46.21	04/02/01	216.74	-5.25%	-4.08%	0.98%
Reuters/Jefferies CRB	473.52	07/02/08	183.52	10/22/01	359.43	-24.09%	8.00%	N/A
Merrill Lynch Perpetual Preferred	197.85	05/08/07	51.79	03/09/09	160.06	-19.10%	4.17%	7.00%
Merrill Lynch High Yield Master II	271.31	03/31/11	106.67	10/10/02	271.31	0.00%	3.90%	7.46%