











The Economy

GDP growth for Q2'11 came in at an annualized rate of 1.3%, while Q1'11 was revised down from 1.9% to 0.4%, according to the Commerce Department. At the start of August, Congress passed a bill to raise the debt ceiling and it was later signed into law by President Obama. The process was a bit ugly to watch, but the patchwork effort may have been just enough to keep the U.S. from losing its triple-A rating, at least for the near-term. While the negotiating was highly partisan throughout much of the process, both Republicans and Democrats were quick to shift the focus back to job creation once it passed. Look for the heat to get ratcheted up on the Obama Administration. QE2 may have ended in June, but job growth had already softened in May.

Consumer Confidence 59.5 (Jul) 58.5 (Jun) 	Crude Oil (Mo.-End) \$95.70 (Jul) \$95.42 (Jun) 	Personal Spending -0.2% (Jun) May was 0.0% 	ISM Manufacturing 50.9 (Jul) 55.3 (Jun) 	ISM Non-Manufacturing 52.7 (Jul) 53.3 (Jun) 
Gold (Mo.-End) \$1628.30 (Jul) \$1502.80 (Jun) 	Natural Gas (Mo.-End) \$4.15 (Jul) \$4.37 (Jun) 	Factory Orders -0.8% (Jun) May was +0.8% 	New Home Sales 312,000 (Jun) 319,000 (May) 	Existing Home Sales 4.77M (Jun) 4.81M (May) 

The Stock Market

Indices (Source: Bloomberg)

	July	12-mo.
S&P 500	-2.0%	19.7%
DJIA	-2.1%	19.1%
NASDAQ 100	1.7%	27.8%
S&P 400	-3.5%	25.8%
Russell 2000	-3.6%	23.9%
Russell 3000	-2.3%	20.9%
MSCI World (ex U.S.) (USD)	-1.6%	17.9%
MSCI Emerging Markets (USD)	-0.4%	17.5%

Growth/Value (Source: Bloomberg)

	July	12-mo.
S&P 500 Growth	-0.6%	24.2%
S&P 500 Value	-3.6%	15.2%
S&P 400 Growth	-3.1%	32.0%
S&P 400 Value	-4.0%	19.9%
Russell 2000 Growth	-3.9%	29.3%
Russell 2000 Value	-3.3%	18.5%

Thirty-four out of the 133 subsectors (26%) that comprise the S&P 500 posted a gain in July, down slightly from 35 (26%) last month, according to S&P. Information Technology was the top performing sector, up 1.6%. In July, the dividend-payers (388) in the S&P 500 (equal weight) posted a total return of -5.22%, vs. -6.95% for the non-payers (112), according to Standard & Poor's. The S&P 500's standard cap weighted total return was -2.0%. Y-T-D, the payers were up 2.21%, vs. a loss of 0.11% for the non-payers. For the 12-month period ended July '11, payers were up 16.11%, vs. a gain of 14.44% for the non-payers. The number of dividend increases y-t-d totaled 209, up from 150 increases a year ago. Two dividends were cut, which matched the two cuts last year. S&P 500 companies reported that 46.3% of their sales came from outside the U.S. in 2010, down slightly from 46.6% in 2009, according to S&P. Foreign sales reached 47.9% in 2008. The sectors that reported foreign sales in excess of 50% were Technology (56.30% vs. 56.02% in '09) and Materials (52.46% vs. 52.06% in '09). Health Care just missed at 49.82%, but was up nicely from 47.21% in 2009. While there are still a number of fiscal challenges in the U.S. and global economies yet to be conquered, investors should not ignore the fact that the nonfinancial companies in the S&P 500 possess cash holdings in excess of \$1.1 trillion – a record high.

U.S. Dollar Index (DXY) -0.5% (July) -6.5% (2011) \$ was down 1.1% in '10 	CBOE Total Equity Options (# of contracts in millions) Jul: 36.7 (-4.4%)  Jun: 38.4 (-2.9%) Record 7/08: 67.2 million	Short Interest (NYSE) July 15: 13.4B (-0.7%)  June 15: 13.5B (+4.7%) Record 7/08: 18.61 billion shares	VIX Volatility Index (S&P 500) 25.25 (7/29)  16.52 (6/30) Record 11/20/08: 80.86
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The Bond Market

Index (Source: Barclays)

	July	12-mo.	Yield
U.S. Treasury: Intermediate	1.42%	3.39%	1.09%
GNMA 30 Year	1.10%	4.90%	3.41%
Municipal Bond (22+)	1.31%	2.66%	5.20%
U.S. Aggregate	1.59%	4.44%	2.61%
Intermediate Corporate	1.82%	6.39%	2.86%
U.S. Corporate High Yield	1.16%	12.95%	7.15%
Global Aggregate	2.06%	9.09%	2.63%
Global Emerging Markets	1.68%	10.96%	5.36%

With the broader equities markets down for a third straight month in July it is clear from the returns referenced in the chart to the left that fixed-income was one of the beneficiaries of the change in investor sentiment. While the recent soft patch in economic activity could be spooking some investors away from stocks, the same cannot be said for riskier bonds, such as high yield corporates and emerging markets debt. Standard & Poor's Ratings Services upgraded 155 issuers globally in Q2'11, versus 119 downgrades, according to S&P. By issuer count, U.S. debt dominated the ratings actions with 63% of the upgrades and 48% of the downgrades. Lipper data shows that investors have poured about \$42 billion into corporate bond funds so far this year, following inflows totaling \$106 billion in 2010, according to SmartMoney.com

Key Rates as of July 29		Key Yield Spread		2011 Debt Issuance Through June (Source: Thomson Reuters)		
Fed Funds	0-0.25%	The spread between the Merrill Lynch High Yield Master II Index and the 10-Yr. T-Bond was 475 basis points on 7/29/11, up from 450 on 6/30/11. It was 566 on 7/30/10. (Source: Bloomberg)		Debt Category	\$ Amount	% change over '10
2-Yr. T-Note	0.36%			Treasury	\$1.1 Trillion	-9.8%
10-Yr. T-Bond	2.80%			Corporate	\$625.6 Billion	+38.6%
30-Yr. Mortgage	4.51%			Convertible	\$14.7 Billion	-13.3%
Bond Buyer 40	5.24%			Asset-Backed	\$67.1 Billion	+11.5%
(Source: Bloomberg)				Municipal	\$116.9 Billion	-43.0%

Equity funds reported net cash outflows totaling \$23.0 billion in 6/11, vs. \$5.0 billion of outflows in 5/11, according to the Investment Company Institute. Bond fund inflows totaled \$12.9 billion, vs. \$19.6 billion of inflows in 5/11. Money Market fund outflows totaled \$41.1 billion, vs. \$2.7 billion of outflows in 5/11. Y-T-D through June, equity funds reported net inflows totaling \$13.7 billion, vs. \$63.3 billion of inflows for bond funds and \$125.4 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	1292.28	-17.43%	3.87%	1.99%
S&P 500 Growth	730.83	10/12/07	363.99	03/09/09	693.28	-5.14%	6.18%	1.74%
S&P 500 Value	836.19	07/13/07	307.16	03/09/09	591.67	-29.24%	1.49%	2.26%
S&P 400	1015.26	04/29/11	372.88	10/09/02	943.42	-7.08%	4.73%	1.33%
S&P 400 Growth	465.69	07/07/11	162.27	10/09/02	434.44	-6.71%	7.27%	0.81%
S&P 400 Value	361.18	06/04/07	135.55	10/09/02	321.81	-10.90%	2.26%	1.87%
S&P 100	729.79	10/09/07	322.13	03/09/09	579.72	-20.56%	3.70%	2.10%
DJIA	14164.53	10/09/07	6547.05	03/09/09	12143.24	-14.27%	6.35%	2.51%
NASDAQ 100	2429.50	07/22/11	804.64	10/07/02	2362.81	-2.75%	6.98%	0.98%
Russell 2000	865.29	04/29/11	327.04	10/09/02	797.03	-7.89%	2.37%	1.47%
Russell 2000 Growth	497.75	04/29/11	169.69	10/09/02	458.26	-7.93%	4.34%	0.76%
Russell 2000 Value	1276.63	06/04/07	469.32	03/09/09	1050.91	-17.68%	0.34%	2.18%
Russell 3000	907.58	10/09/07	389.61	03/09/09	771.11	-15.04%	3.92%	1.86%
MSCI World x U.S. (USD)	5379.90	10/31/07	1636.59	03/12/03	4293.90	-20.19%	2.99%	N/A
MSCI Emerging Markets (USD)	473.35	10/29/07	75.12	09/21/01	438.89	-7.28%	0.43%	N/A
Bovespa/Brazil (USD)	44638.24	05/19/08	2160.80	10/16/02	37965.28	-14.95%	-8.77%	4.00%
RTS/Russia (USD)	2487.92	05/19/08	174.20	10/03/01	1965.02	-21.02%	12.83%	2.01%
Bombay SE 500/India (USD)	226.04	01/07/08	16.50	09/21/01	160.93	-28.80%	-8.80%	1.42%
Shanghai Composite/China (USD)	810.24	10/16/07	122.21	07/11/05	419.72	-48.20%	0.32%	1.80%
KOSPI/South Korea (USD)	2.29	10/31/07	0.36	09/17/01	2.02	-11.72%	11.99%	1.30%
Hang Seng (USD)	4082.25	10/30/07	1078.13	04/25/03	2879.13	-29.47%	-0.88%	2.88%
MSCI Euro (USD)	1988.53	10/31/07	598.84	03/12/03	1190.97	-40.11%	6.99%	4.30%
S&P Consumer Discretionary	328.81	07/07/11	125.72	03/09/09	313.21	-4.74%	6.82%	1.53%
S&P Consumer Staples	333.63	05/19/11	182.72	03/10/03	317.34	-4.88%	6.32%	3.22%
S&P Energy	668.81	05/20/08	163.83	07/23/02	563.02	-15.82%	12.16%	1.70%
S&P Utilities	223.91	12/10/07	77.27	10/09/02	168.15	-24.90%	8.09%	4.27%
S&P Financials	509.55	02/20/07	81.74	03/06/09	199.18	-60.91%	-6.54%	1.47%
S&P Banks	414.38	02/20/07	49.02	03/05/09	134.74	-67.48%	-8.60%	1.44%
FTSE NAREIT Equity REITs	676.54	02/07/07	163.57	03/06/09	467.83	-30.85%	11.78%	3.38%
S&P Health Care	426.93	05/07/07	252.84	03/05/09	394.71	-7.55%	9.53%	2.15%
S&P Pharmaceuticals	442.40	11/26/01	214.50	03/03/09	314.43	-28.93%	7.83%	3.65%
NYSE Arca Biotechnology	1502.18	05/12/11	280.09	07/10/02	1353.41	-9.90%	4.30%	1.21%
S&P Information Technology	441.36	10/31/07	172.88	10/09/02	417.35	-5.44%	3.71%	0.98%
Philadelphia Semiconductor	656.62	08/02/01	171.32	11/20/08	386.94	-41.07%	-5.39%	1.20%
S&P Telecom Services	198.68	08/01/01	79.00	09/30/02	125.38	-36.89%	0.97%	5.36%
S&P Industrials	381.16	10/09/07	132.83	03/09/09	299.25	-21.49%	0.49%	2.20%
S&P Materials	285.91	05/16/08	102.55	10/09/02	237.59	-16.90%	0.31%	2.09%
Philadelphia Gold & Silver	228.95	04/08/11	49.46	11/19/01	205.81	-10.11%	-8.40%	1.35%
Reuters/Jefferies CRB	473.52	07/02/08	183.52	10/22/01	342.08	-27.76%	2.79%	N/A
Merrill Lynch Perpetual Preferred	197.85	05/08/07	51.79	03/09/09	161.06	-18.59%	4.82%	7.15%
Merrill Lynch High Yield Master II	277.73	07/26/11	106.67	10/10/02	277.31	-0.15%	6.20%	7.55%