











The Economy

While October's nonfarm payroll number was a better-than-expected 173,000 (Bloomberg's estimate was 125,000), the unemployment rate did nudge higher from 7.8% to 7.9%. Barring any contested election results on November 6, we will know who our president will be come January. Regardless of who wins, just knowing will provide investors with some much needed guidance, in our opinion. Obviously, the Congressional races are relevant and could shed additional light on how much potential gridlock awaits. The polls have the race fairly even so turnout is likely to influence the outcome. Mitt Romney appears to have a more growth-oriented agenda. The U.S. GDP growth rate was an annualized 2.0% in Q3'12, and it has averaged 2.0% since 6/09 (end of recession).

Consumer Confidence 72.2 (Oct) 70.3 (Sep) 	Crude Oil (Mo.-End) \$86.24 (Oct) \$92.19 (Sep) 	Personal Spending 0.8% (Sep) Aug was 0.5% 	ISM Manufacturing 51.7 (Oct) 51.5 (Sep) 	ISM Non-Manufacturing 54.2 (Oct) 55.1 (Sep) 
Gold (Mo.-End) \$1719.10 (Oct) \$1771.10 (Sep) 	Natural Gas (Mo.-End) \$3.69 (Oct) \$3.32 (Sep) 	Factory Orders 4.8% (Sep) Aug was -5.2% 	New Home Sales 389,000 (Sep) 373,000 (Aug) 	Existing Home Sales 4.75M (Sep) 4.82M (Aug) 

The Stock Market

Indices (Source: Bloomberg)	Oct	12-mo.	Fifty-seven out of the 132 subsectors (43%) that comprise the S&P 500 posted a gain in October, down from 95 (72%) last month, according to S&P. Financials was the top performing sector, up 1.9%. The 403 dividend-payers in the S&P 500 is the most since 1999. Equity Income funds (open-end) reported net inflows totaling \$21.14 billion through the first three-quarters of 2012, according to Strategic Insight. U.S. Diversified Equity funds reported net outflows totaling \$36.8 billion. The current sell-off in the S&P 500 reached 47 days as of the close of October. The high for the index this year was 1465.77 on 9/14/12. Based on the closing price of 1412.16 on 10/31, the S&P 500 is down 3.65% from its high. There have been 16 sell-offs of 5% or more in the index since the start of the bull market in March 2009, according to Bespoke Investment Group. The average decline was 8.3%, spanning an average of 22 days. The longest was 60 days (4/2/12-6/1/12), resulting in a loss of 9.9%. The worst sell-off was the 17.3% plunge from 7/7/11-8/8/11 (32 days), which qualifies as a correction. There is the potential for a seasonality trade in tech-related stocks. One of the boosts for tech-related companies in Q4 can come from IT spending. Managers have just 3 months (now 2) left to spend their budgets. A second driver for business can be the launch of new consumer electronics products for the holiday shopping season.
S&P 500	-1.8%	15.2%	
DJIA	-2.4%	12.6%	
NASDAQ 100	-5.3%	13.5%	
S&P 400	-0.8%	12.1%	
Russell 2000	-2.2%	12.1%	
Russell 3000	-1.7%	14.7%	
MSCI World (ex U.S.) (USD)	0.7%	4.4%	
MSCI Emerging Markets (USD)	-0.6%	2.6%	
Growth/Value (Source: Bloomberg)	Oct	12-mo.	
S&P 500 Growth	-2.8%	14.0%	
S&P 500 Value	-0.7%	16.7%	
S&P 400 Growth	-1.1%	10.0%	
S&P 400 Value	-0.4%	14.9%	
Russell 2000 Growth	-3.1%	9.7%	
Russell 2000 Value	-1.3%	14.5%	

U.S. Dollar Index (DXY) 0.0% (Oct) -0.3% (YTD) \$ was up 1.5% in '11 	CBOE Total Equity Options (# of contracts in millions) Oct: 35.1 (-8.1%) Sep: 38.2 (-8.0%) Record 7/08: 67.2 million 	Short Interest (NYSE) Oct 14: 13.4B (-4.3%) Sep 14: 14.0B (+1.4%) Record 7/08: 18.61 billion shares 	VIX Volatility Index (S&P 500) 18.60 (10/31) 15.73 (9/28) Record 11/20/08: 80.86 
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The Bond Market

Index (Source: Barclays)	Oct	12-mo.	Yield	The yield on the benchmark 10-Year T-Note rose by 6 bps. to 1.69% in 10/12. Municipal bonds continue to generate returns in the vicinity of speculative-grade debt (see chart). One of the silver linings for municipalities in these fiscally challenging times has been the ability to refund (issuer refinances outstanding bonds by issuing new bonds) debt at lower interest rates. On average, refundings accounted for 38.4% of new issuance from 2001-2011, according to Thomson Reuters. With the Fed providing some additional tailwind through its quantitative easing initiatives, the percentage of refundings increased to 48.8% (10-year high) in 2011 and 63.0% through the first three-quarters of 2012. If President Obama wins re-election on the 6 th , his desire to raise taxes on the wealthiest of Americans could boost demand for municipal bonds.
U.S. Treasury: Intermediate	-0.18%	2.48%	0.61%	
GNMA 30 Year	-0.36%	3.41%	2.18%	
Municipal Bond (22+)	0.58%	13.43%	3.36%	
U.S. Aggregate	0.20%	5.25%	1.70%	
Intermediate Corporate	0.84%	8.57%	2.02%	
U.S. Corporate High Yield	0.88%	13.61%	6.49%	
Global Aggregate	-0.14%	3.54%	1.73%	
Global Emerging Markets	1.27%	14.51%	4.48%	

Key Rates as of October 31 Fed Funds 0-0.25% 2-Yr. T-Note 0.28% 10-Yr. T-Bond 1.69% 30-Yr. Mortgage 3.45% Bond Buyer 40 4.14% (Source: Bloomberg)	Key Yield Spread The spread between the Merrill Lynch High Yield Master II Index and the 10-Yr. T-Note was 538 basis points on 10/31/12, down from 549 on 9/28/12. It was 641 on 10/31/11. (Source: Bloomberg)	2012 Debt Issuance Through September (Source: Thomson Reuters) <table border="1"> <thead> <tr> <th>Debt Category</th> <th>\$ Amount</th> <th>% change over '11</th> </tr> </thead> <tbody> <tr> <td>Treasury</td> <td>\$1.68 Trillion</td> <td>+1.5%</td> </tr> <tr> <td>Corporate</td> <td>\$984.4 Billion</td> <td>+20.2%</td> </tr> <tr> <td>Convertible</td> <td>\$13.9 Billion</td> <td>-21.5%</td> </tr> <tr> <td>Asset-Backed</td> <td>\$149.7 Billion</td> <td>+58.8%</td> </tr> <tr> <td>Municipal</td> <td>\$279.3 Billion</td> <td>+44.3%</td> </tr> </tbody> </table>	Debt Category	\$ Amount	% change over '11	Treasury	\$1.68 Trillion	+1.5%	Corporate	\$984.4 Billion	+20.2%	Convertible	\$13.9 Billion	-21.5%	Asset-Backed	\$149.7 Billion	+58.8%	Municipal	\$279.3 Billion	+44.3%
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Equity funds reported net outflows totaling \$24.4 billion in 9/12, vs. \$18.3 billion of net outflows in 8/12, according to the Investment Company Institute. Bond funds reported net inflows totaling \$29.3 billion, vs. \$31.7 billion of net inflows in 8/12. Money Market fund net outflows totaled \$3.5 billion, vs. \$5.5 billion of net inflows in 8/12. Y-T-D through September, equity funds reported net outflows totaling \$83.0 billion, vs. \$238.3 billion of net inflows for bond funds (municipals had net inflows totaling \$42.7B) and \$141.7 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 (11/1/12)
S&P 500	1565.15	10/09/07	676.53	03/09/09	1412.16	-9.77%	14.29%	2.13%
S&P 500 Growth	793.29	09/19/12	363.99	03/09/09	758.81	-4.35%	13.71%	1.87%
S&P 500 Value	836.19	07/13/07	307.16	03/09/09	645.82	-22.77%	15.01%	2.45%
S&P 400	1026.85	09/14/12	385.18	03/12/03	980.45	-4.52%	12.87%	1.67%
S&P 400 Growth	467.42	09/14/12	166.30	03/12/03	447.11	-4.35%	13.00%	1.14%
S&P 400 Value	361.18	06/04/07	141.27	03/12/03	337.87	-6.45%	13.19%	2.23%
S&P 100	729.79	10/09/07	322.13	03/09/09	646.52	-11.41%	15.45%	2.23%
DJIA	14164.53	10/09/07	6547.05	03/09/09	13096.46	-7.54%	9.51%	2.59%
NASDAQ 100	2864.03	09/19/12	951.90	02/13/03	2647.92	-7.55%	17.30%	1.21%
Russell 2000	865.29	04/29/11	343.26	03/09/09	818.73	-5.38%	11.75%	1.69%
Russell 2000 Growth	497.75	04/29/11	182.25	03/12/03	466.98	-6.18%	10.53%	0.93%
Russell 2000 Value	1276.63	06/04/07	469.32	03/09/09	1087.82	-14.79%	12.93%	2.42%
Russell 3000	907.58	10/09/07	389.61	03/09/09	833.61	-8.15%	14.12%	2.07%
MSCI World x U.S. (USD)	5379.90	10/31/07	1636.59	03/12/03	4050.88	-24.70%	10.67%	N/A
MSCI Emerging Markets (USD)	473.35	10/29/07	84.92	03/11/03	396.78	-16.18%	11.30%	N/A
Bovespa/Brazil (USD)	44638.24	05/19/08	2686.50	11/14/02	28101.33	-37.05%	-7.16%	4.33%
RTS/Russia (USD)	2487.92	05/19/08	336.08	01/27/03	1433.96	-42.36%	8.16%	3.65%
Bombay SE 500/India (USD)	226.04	01/07/08	21.80	10/31/02	132.29	-41.48%	23.36%	1.50%
Shanghai Composite/China (USD)	810.24	10/16/07	122.21	07/11/05	331.69	-59.06%	-2.63%	2.70%
KOSPI/South Korea (USD)	2.29	10/31/07	0.41	03/17/03	1.75	-23.53%	10.61%	1.28%
Hang Seng (USD)	4082.25	10/30/07	1078.13	04/25/03	2792.46	-31.60%	21.91%	3.21%
MSCI Euro (USD)	1988.53	10/31/07	598.84	03/12/03	1023.00	-48.56%	14.35%	4.34%
S&P Consumer Discretionary	376.80	09/19/12	125.72	03/09/09	364.23	-3.34%	19.51%	1.59%
S&P Consumer Staples	376.75	10/05/12	182.72	03/10/03	364.96	-3.13%	11.42%	2.87%
S&P Energy	668.81	05/20/08	168.29	01/27/03	539.94	-19.27%	5.47%	2.15%
S&P Utilities	223.91	12/10/07	86.30	02/12/03	187.44	-16.29%	5.78%	4.04%
S&P Financials	509.55	02/20/07	81.74	03/06/09	213.88	-58.03%	23.98%	1.80%
S&P Banks	414.38	02/20/07	49.02	03/05/09	157.45	-62.00%	23.06%	2.23%
FTSE NAREIT Equity REITs	676.54	02/07/07	163.57	03/06/09	501.68	-25.85%	15.81%	3.35%
S&P Health Care	478.65	10/16/12	252.84	03/05/09	463.31	-3.20%	17.44%	2.11%
S&P Pharmaceuticals	394.92	10/18/12	214.50	03/03/09	379.94	-3.79%	15.74%	3.20%
NYSE Arca Biotechnology	1604.76	10/05/12	311.69	03/11/03	1397.78	-12.90%	28.16%	0.08%
S&P Information Technology	507.31	09/17/12	198.51	11/20/08	460.85	-9.16%	13.57%	1.26%
Philadelphia Semiconductor	560.65	01/12/04	171.32	11/20/08	367.03	-34.54%	1.99%	1.70%
S&P Telecom Services	181.06	05/31/07	84.18	03/11/03	148.95	-17.73%	20.45%	4.67%
S&P Industrials	381.16	10/09/07	132.83	03/09/09	317.23	-16.77%	10.67%	2.46%
S&P Materials	285.91	05/16/08	105.98	03/11/03	227.64	-20.38%	9.60%	2.70%
Philadelphia Gold & Silver	228.95	04/08/11	62.21	03/27/03	188.25	-17.78%	5.78%	1.45%
Reuters/Jefferies CRB	473.52	07/02/08	200.34	03/02/09	295.84	-37.52%	-3.10%	N/A
Merrill Lynch Perpetual Preferred	197.85	05/08/07	51.79	03/09/09	188.16	-4.90%	18.03%	6.23%
Merrill Lynch High Yield Master II	309.10	10/18/12	108.99	10/31/02	307.70	-0.45%	12.91%	7.05%