

## The Economy

The prospects for QE3 are fading with each passing month. The U.S. has created 3.45 million new jobs since March 2010 (not including March 2012). Over the past three months, the U.S. boosted payrolls by an average of 245,000 jobs per month – just below the 250,000 baseline target that many analysts characterized as proof the recovery was “real.” The Blue Chip Economic Indicators survey in March revealed a 2012 Gross Domestic Product forecast of 2.3%, up from its 2.2% target growth rate in December. Brian Wesbury, Chief Economist at First Trust Advisors, has a more bullish target of 3.2% for 2012, up from 3.0% in December. China's new 7.0% GDP growth rate target is worth monitoring. Brazil has cut its benchmark lending rate 275 bps since August.

<b>Consumer Confidence</b> <b>70.2</b> (Mar) 70.8 (Feb)	<b>Crude Oil (Mo.-End)</b> <b>\$103.02</b> (Mar) \$107.07 (Feb)	<b>Personal Spending</b> <b>0.8%</b> (Feb) Jan was 0.2%	<b>ISM Manufacturing</b> <b>53.4</b> (Mar) 52.4 (Feb)	<b>ISM Non-Manufacturing</b> <b>56.0</b> (Mar) 57.3 (Feb)
<b>Gold (Mo.-End)</b> <b>\$1669.30</b> (Mar) \$1711.30 (Feb)	<b>Natural Gas (Mo.-End)</b> <b>\$2.13</b> (Mar) \$2.62 (Feb)	<b>Factory Orders</b> <b>+1.3%</b> (Feb) Jan was -1.0%	<b>New Home Sales</b> <b>313,000</b> (Feb) 321,000 (Jan)	<b>Existing Home Sales</b> <b>4.59M</b> (Feb) 4.57M (Jan)

## The Stock Market

### Indices (Source: Bloomberg)

	Mar	12-mo.
S&P 500	3.3%	8.5%
DJIA	2.2%	10.1%
NASDAQ 100	5.1%	19.0%
S&P 400	1.9%	2.0%
Russell 2000	2.6%	-0.2%
Russell 3000	3.1%	7.2%
MSCI World (ex U.S.) (USD)	-0.7%	-6.7%
MSCI Emerging Markets (USD)	-3.3%	8.7%

### Growth/Value (Source: Bloomberg)

	Mar	12-mo.
S&P 500 Growth	3.2%	11.9%
S&P 500 Value	3.4%	5.3%
S&P 400 Growth	1.7%	2.9%
S&P 400 Value	2.1%	1.2%
Russell 2000 Growth	2.0%	0.7%
Russell 2000 Value	3.1%	-1.1%

One hundred and one out of the 132 subsectors (77%) that comprise the S&P 500 posted a gain in March, up from 98 (74%) last month, according to S&P. Financials were the top performing sector, up 7.5%. In March, the dividend-payers (400) in the S&P 500 (equal weight) posted a total return of 2.30%, vs. 2.06% for the non-payers (100), according to Standard & Poor's. This is the first time 400 companies in the index have paid a dividend since the close of 1999 (402). The low over the past decade was around 351 in 2002. Y-T-D, the payers were up 11.43%, vs. a gain of 16.53% for the non-payers. For the 12-month period ended March, payers were up 5.76%, vs. a loss of 0.53% for the non-payers. The number of dividend increases y-t-d totaled 122, up from 84 a year ago. Approximately 7,000 publicly owned companies report dividend information to Standard & Poor's Dividend Record. In Q1'12, dividend increases totaled \$24.2 billion, a 27.4% rise from the \$19.0 billion worth of increases in Q1'11, according to S&P. Data from S&P revealed that, since 1953, U.S. stocks actually posted their best returns when the yield on the 10-year T-note rose to around 4.0%, according to Businessweek.com. The S&P 500 gained an average of 1.7% per month during periods when yields climbed to a range of 3.0% to 4.0%. Stock prices usually retrench when the yield on the 10-year T-note tops 6.0%.

<b>U.S. Dollar Index (DXY)</b> <b>0.4%</b> (Mar) -1.5% (YTD) \$ was up 1.5% in '11	<b>CBOE Total Equity Options</b> (# of contracts in millions) Mar: <b>46.4</b> (-2.5%) Feb: 47.6 (+7.9%) Record 7/08: 67.2 million	<b>Short Interest (NYSE)</b> Mar 15: <b>12.8B</b> (+1.6%) Feb 15: 12.6B (-6.0%) Record 7/08: 18.61 billion shares	<b>VIX Volatility Index (S&amp;P 500)</b> <b>15.50</b> (3/30) 18.43 (2/29) Record 11/20/08: 80.86
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## The Bond Market

### Index (Source: Barclays)

	Mar	12-mo.	Yield
U.S. Treasury: Intermediate	-0.52%	6.10%	0.87%
GNMA 30 Year	0.07%	7.72%	2.85%
Municipal Bond (22+)	-0.29%	19.97%	4.04%
U.S. Aggregate	-0.55%	7.71%	2.22%
Intermediate Corporate	-0.24%	7.26%	2.78%
U.S. Corporate High Yield	-0.14%	6.45%	7.23%
Global Aggregate	-0.72%	5.26%	2.19%
Global Emerging Markets	0.36%	9.37%	5.35%

Data from Dealogic showed that sales of high-grade U.S. corporate debt totaled \$300.67 billion in Q1'12 (as of 3/28), the second-highest first quarter volume ever, according to *The Wall Street Journal*. Volume exceeded \$100 billion in both February and March, the first time that has happened back-to-back in three years. High yield corporate debt issuance hit \$93 billion. Leveraged loan issuance was around \$53 billion. That is about half the volume of Q1'11, but well above the \$30.6 billion sold in Q1'10. Data compiled by the Rockefeller Institute shows that total state tax collections rose 2.7% (y-o-y) in Q4'11, the 8<sup>th</sup> consecutive quarter in which revenues were up. Eight states reported double-digit growth. Personal income tax revenues rose 3.5%. Corporate income tax revenues fell 3.8%, while sales tax revenues rose 1.8%.

Key Rates as of March 30		Key Yield Spread		2012 Debt Issuance Through February		
		The spread between the Merrill Lynch High Yield Master II Index and the 10-Yr. T-Note was 545 basis points on 3/30/12, down from 562 on 2/29/12. It was 394 on 3/31/11.		(Source: Thomson Reuters)		
				Debt Category	\$ Amount	% change over '11
Fed Funds	0-0.25%			Treasury	\$479.3 Billion	+29.8%
2-Yr. T-Note	0.33%			Corporate	\$236.9 Billion	+7.8%
10-Yr. T-Bond	2.21%			Convertible	\$900 Million	-70.3%
30-Yr. Mortgage	3.97%			Asset-Backed	\$27.8 Billion	+58.7%
Bond Buyer 40	4.64%			Municipal	\$43.5 Billion	+50.2%
(Source: Bloomberg)		(Source: Bloomberg)				

Equity funds reported net cash outflows totaling \$1.2 billion in 2/12, vs. \$423 million of outflows in 1/12, according to the Investment Company Institute. Bond fund inflows totaled \$34.1 billion, vs. \$28.0 billion of inflows in 1/12. Money Market fund outflows totaled \$3.0 billion, vs. \$36.3 billion of outflows in 1/12. Y-T-D through February, equity funds reported net outflows totaling \$1.6 billion, vs. \$62.1 billion of inflows for bond funds (municipals had inflows totaling \$12.9B) and \$39.3 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	1408.47	-10.01%	12.59%	1.95%
S&P 500 Growth	759.76	03/26/12	363.99	03/09/09	757.28	-0.33%	12.27%	1.71%
S&P 500 Value	836.19	07/13/07	307.16	03/09/09	643.68	-23.02%	12.97%	2.25%
S&P 400	1015.26	04/29/11	372.88	10/09/02	994.30	-2.06%	13.50%	1.35%
S&P 400 Growth	465.69	07/07/11	162.27	10/09/02	454.64	-2.37%	14.08%	0.90%
S&P 400 Value	361.18	06/04/07	135.55	10/09/02	341.62	-5.42%	12.87%	1.85%
S&P 100	729.79	10/09/07	322.13	03/09/09	640.68	-12.21%	12.88%	2.06%
DJIA	14164.53	10/09/07	6547.05	03/09/09	13212.04	-6.72%	8.84%	2.47%
NASDAQ 100	2782.12	03/27/12	804.64	10/07/02	2755.27	-0.97%	21.24%	0.88%
Russell 2000	865.29	04/29/11	327.04	10/09/02	830.30	-4.04%	12.44%	1.52%
Russell 2000 Growth	497.75	04/29/11	169.69	10/09/02	480.60	-3.45%	13.28%	0.72%
Russell 2000 Value	1276.63	06/04/07	469.32	03/09/09	1087.44	-14.82%	11.59%	2.31%
Russell 3000	907.58	10/09/07	389.61	03/09/09	834.08	-8.10%	12.87%	1.87%
MSCI World x U.S. (USD)	5379.90	10/31/07	1636.59	03/12/03	4039.95	-24.91%	10.37%	N/A
MSCI Emerging Markets (USD)	473.35	10/29/07	79.55	10/10/02	406.71	-14.08%	14.08%	N/A
Bovespa/Brazil (USD)	44638.24	05/19/08	2160.80	10/16/02	35416.42	-20.66%	17.01%	3.64%
RTS/Russia (USD)	2487.92	05/19/08	313.99	08/06/02	1637.73	-34.17%	20.03%	2.30%
Bombay SE 500/India (USD)	226.04	01/07/08	21.10	10/28/02	132.86	-41.22%	22.29%	1.50%
Shanghai Composite/China (USD)	810.24	10/16/07	122.21	07/11/05	359.26	-55.66%	2.83%	2.13%
KOSPI/South Korea (USD)	2.29	10/31/07	0.41	03/17/03	1.78	-22.46%	12.14%	1.19%
Hang Seng (USD)	4082.25	10/30/07	1078.13	04/25/03	2646.83	-35.16%	11.90%	3.34%
MSCI Euro (USD)	1988.53	10/31/07	598.84	03/12/03	1040.45	-47.68%	12.29%	4.45%
S&P Consumer Discretionary	358.91	03/26/12	125.72	03/09/09	356.55	-0.66%	15.96%	1.48%
S&P Consumer Staples	351.49	03/30/12	182.72	03/10/03	351.49	0.00%	5.54%	2.82%
S&P Energy	668.81	05/20/08	163.83	07/23/02	538.43	-19.49%	3.88%	1.87%
S&P Utilities	223.91	12/10/07	77.27	10/09/02	178.07	-20.47%	-1.62%	4.23%
S&P Financials	509.55	02/20/07	81.74	03/06/09	212.84	-58.23%	22.05%	1.64%
S&P Banks	414.38	02/20/07	49.02	03/05/09	158.01	-61.87%	21.82%	1.81%
FTSE NAREIT Equity REITs	676.54	02/07/07	163.57	03/06/09	487.64	-27.92%	10.49%	3.28%
S&P Health Care	435.76	03/30/12	252.84	03/05/09	435.76	0.00%	9.06%	2.08%
S&P Pharmaceuticals	413.96	04/01/02	214.50	03/03/09	347.95	-15.95%	3.99%	3.28%
NYSE Arca Biotechnology	1502.18	05/12/11	280.09	07/10/02	1412.97	-5.94%	29.49%	0.06%
S&P Information Technology	500.66	03/27/12	172.88	10/09/02	496.57	-0.82%	21.46%	0.94%
Philadelphia Semiconductor	611.17	04/17/02	171.32	11/20/08	438.64	-28.23%	20.68%	1.28%
S&P Telecom Services	181.06	05/31/07	79.00	09/30/02	130.65	-27.84%	2.08%	5.35%
S&P Industrials	381.16	10/09/07	132.83	03/09/09	323.52	-15.12%	11.31%	2.23%
S&P Materials	285.91	05/16/08	102.55	10/09/02	234.14	-18.11%	11.19%	2.17%
Philadelphia Gold & Silver	228.95	04/08/11	55.73	07/26/02	175.46	-23.36%	-2.45%	1.77%
Reuters/Jefferies CRB	473.52	07/02/08	195.27	04/12/02	308.46	-34.86%	1.04%	N/A
Merrill Lynch Perpetual Preferred	197.85	05/08/07	51.79	03/09/09	174.98	-11.56%	9.76%	6.91%
Merrill Lynch High Yield Master II	287.14	03/02/12	106.67	10/10/02	286.60	-0.19%	5.16%	7.66%