

The Economy

May's nonfarm payroll number (175,000) came in above Bloomberg's consensus estimate of 163,000. The U.S. has created over 100,000 new jobs a month since 6/12 (87,000), according to the Bureau of Labor Statistics. Consumers and companies are making progress in repairing their fiscal houses. The S&P/Experian Consumer Credit Default Composite Index stood at a post-recession low of 1.42% in 4/13, down from 1.50% in March and 1.86% a year ago, according to the S&P Dow Jones Indices. The American Bankruptcy Institute reported that total filings fell 12% (y-o-y) in May, according to the *Los Angeles Times*. Total U.S. bankruptcy filings were down to 96,430. Consumer bankruptcy filings were off 11% to 92,413. Business filings declined 25% to 4,017.

Consumer Confidence 76.2 (May) 68.1 (Apr)	Crude Oil (Mo.-End) \$91.97 (May) \$93.46 (Apr)	Personal Spending -0.2% (Apr) Mar was 0.2%	ISM Manufacturing 49.0 (May) 50.7 (Apr)	ISM Non-Manufacturing 53.7 (May) 53.1 (Apr)
Gold (Mo.-End) \$1392.60 (May) \$1472.10 (Apr)	Natural Gas (Mo.-End) \$3.98 (May) \$4.34 (Apr)	Factory Orders 1.0% (Apr) Mar was -4.0%	New Home Sales 454,000 (Apr) 417,000 (Mar)	Existing Home Sales 4.97M (Apr) 4.92M (Mar)

The Stock Market

Indices (Source: Bloomberg)

	May	12-mo.
S&P 500	2.3%	27.4%
DJIA	2.2%	25.2%
NASDAQ 100	3.5%	20.0%
S&P 400	2.3%	30.4%
Russell 2000	4.0%	31.1%
Russell 3000	2.4%	28.1%
MSCI World (ex U.S.) (USD)	-2.2%	29.6%
MSCI Emerging Markets (USD)	-2.6%	14.1%

Growth/Value (Source: Bloomberg)

	May	12-mo.
S&P 500 Growth	2.2%	23.3%
S&P 500 Value	2.5%	32.2%
S&P 400 Growth	2.3%	27.9%
S&P 400 Value	2.2%	33.2%
Russell 2000 Growth	5.1%	30.9%
Russell 2000 Value	3.0%	31.9%

Ninety-one out of the 132 subsectors (69%) that comprise the S&P 500 posted a gain in May, up from 81 (61%) last month, according to S&P. Financials were the best performing sector, up 6.1%. In May, the dividend-payers (410) in the S&P 500 (equal weight) posted a total return of 2.07%, vs. 6.23% for the non-payers (90), according to Standard & Poor's Y-T-D, the payers were up 9.76%, vs. a gain of 12.58% for the non-payers. For the 12-month period ended May, payers were up 30.66%, vs. a gain of 40.79% for the non-payers. The number of dividend increases y-t-d totaled 204, up from 181 at this point a year ago. Ten dividends were cut, compared to four at this point a year ago. In the first four months of 2013, net cash inflows to Equity Income mutual funds and Equity Income ETFs totaled \$6.2 billion and \$4.4 billion, respectively, according to data from Lipper. Y-T-D through 5/24, the number of stock buyback announcements valued at more than \$1 billion totaled 40, according to S&P Capital IQ. At this pace, \$1 billion-plus buyback announcements could approach 100 by year-end. Activity hasn't been this robust since 2007 (143). As of 6/6/13, Bloomberg data showed that the U.S.'s share of total world stock market capitalization was 34.52%, up more than two percentage points from 32.14% at the start of 2013, according to Bespoke Investment Group.

U.S. Dollar Index (DXY) +2.0% (May) +4.5% (YTD) \$ was down 0.5% in '12	CBOE Total Equity Options (# of contracts in millions) May: 34.8 (+8.8%) Apr: 32.0 (+9.2%) Record 7/08: 67.2 million	Short Interest (NYSE) May 15: 13.5B (+0.7%) Apr 15: 13.4B (-1.5%) Record 7/08: 18.61 billion shares	VIX Volatility Index (S&P 500) 16.30 (5/31) 13.52 (4/30) Record 11/20/08: 80.86
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The Bond Market

Index (Source: Barclays)

	May	12-mo.	Yield
U.S. Treasury: Intermediate	-1.06%	0.00%	0.77%
GNMA 30 Year	-2.12%	-0.81%	2.99%
Municipal Bond (22+)	-1.49%	4.69%	3.52%
U.S. Aggregate	-1.78%	0.91%	2.08%
Intermediate Corporate	-1.38%	4.92%	2.21%
U.S. Corporate High Yield	-0.58%	14.82%	5.71%
Global Aggregate	-2.97%	-0.54%	1.86%
Global Emerging Markets	-2.57%	11.62%	4.36%

The yield on the benchmark 10-Year T-Note rose 46 basis points to 2.13% in May. That is a sharp rise in rates for a single month, and it clearly unnerved investors. There was widespread selling in the bond market (see chart). Even dividend-paying equities sold off. The S&P 500 Utilities Index declined by 9.0% in May. For some investors, talk from the Federal Reserve about the possibility of tempering its stimulus efforts sooner than it originally thought may have provided enough of a nudge to induce some to take some profits. Goldman Sachs sees the yield on the 10-Year T-Note climbing to 2.50% at some point in the second half of 2013, according to *Barron's*. It also reported that Bank of America Merrill Lynch set the high-end of its 10-Year T-Note range at 2.40%.

Key Rates as of May 31		Key Yield Spread		2013 Debt Issuance Through April		
		The spread between the Merrill Lynch High Yield Master II Index and the 10-Yr. T-Note was 422 basis points on 5/31/13, down from 449 on 4/30/13. It was 657 on 5/31/12.		(Source: Thomson Reuters)		
				Debt Category	\$ Amount	% change over '12
Fed Funds	0-0.25%			Treasury	\$721.0 Billion	-16.5%
2-Yr. T-Note	0.30%			Corporate	\$494.1 Billion	+6.0%
10-Yr. T-Note	2.13%			Convertible	\$8.1 Billion	+46.5%
30-Yr. Mortgage	4.16%			Asset-Backed	\$71.5 Billion	+6.5%
Bond Buyer 40	4.27%			Municipal	\$119.8 Billion	+5.6%
(Source: Bloomberg)		(Source: Bloomberg)				

Equity funds reported net *inflows* totaling \$3.7 billion in 4/13, vs. \$14.8 billion (revised up) of net *inflows* in 3/13, according to the Investment Company Institute. Bond funds reported net *inflows* totaling \$12.1 billion, vs. \$16.1 billion of net *inflows* in 3/13. Money Market fund net *outflows* totaled \$24.5 billion, vs. \$58.3 billion of net *outflows* in 3/13. Year-to-date through April, equity funds reported net *inflows* totaling \$70.5 billion, vs. \$81.2 billion of net *inflows* for bond funds (municipals had net *inflows* totaling \$7.5B) and \$125.4 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)	(As of 6/4/13) Yield
S&P 500	1669.16	05/21/13	676.53	03/09/09	1630.74	-2.30%	15.37%	2.11%
S&P 500 Growth	883.07	05/17/13	363.99	03/09/09	861.71	-2.42%	14.03%	1.79%
S&P 500 Value	836.19	07/13/07	307.16	03/09/09	759.79	-9.14%	16.81%	2.39%
S&P 400	1214.89	05/21/13	404.62	03/09/09	1184.32	-2.52%	16.75%	1.79%
S&P 400 Growth	551.27	05/21/13	174.44	11/20/08	536.08	-2.76%	16.12%	1.27%
S&P 400 Value	420.94	05/21/13	144.98	03/09/09	411.36	-2.28%	17.43%	2.29%
S&P 100	748.89	05/21/13	322.13	03/09/09	733.63	-2.04%	14.61%	2.25%
DJIA	15409.39	05/28/13	6547.05	03/09/09	15115.57	-1.91%	16.65%	2.42%
NASDAQ 100	3028.96	05/17/13	1036.51	11/20/08	2981.76	-1.56%	12.72%	1.49%
Russell 2000	998.78	05/21/13	343.26	03/09/09	984.14	-1.47%	16.45%	1.77%
Russell 2000 Growth	575.95	05/28/13	190.73	03/09/09	569.61	-1.10%	18.20%	1.08%
Russell 2000 Value	1316.37	05/20/13	469.32	03/09/09	1289.65	-2.03%	14.88%	2.42%
Russell 3000	992.51	05/21/13	389.61	03/09/09	969.98	-2.27%	15.56%	2.07%
MSCI World x U.S. (USD)	5379.90	10/31/07	2010.44	05/31/03	4559.93	-15.24%	7.01%	3.23%
MSCI Emerging Markets (USD)	473.36	10/29/07	100.22	05/31/03	407.05	-14.01%	-3.42%	2.69%
Bovespa/Brazil (USD)	44638.24	05/19/08	4209.70	08/04/03	25103.72	-43.76%	-15.86%	4.35%
RTS/Russia (USD)	2487.92	05/19/08	427.64	07/17/03	1331.43	-46.48%	-10.09%	4.19%
Bombay SE 500/India (USD)	226.04	01/07/08	26.25	05/31/03	131.70	-41.73%	-3.93%	1.51%
Shanghai Composite/China (USD)	810.24	10/16/07	122.21	07/11/05	375.03	-53.71%	3.18%	2.58%
KOSPI/South Korea (USD)	2.29	10/31/07	0.53	05/31/03	1.77	-22.73%	-4.93%	1.20%
Hang Seng (USD)	4082.25	10/30/07	1216.52	05/31/03	2884.62	-29.34%	-0.25%	3.28%
MSCI Euro (USD)	1988.53	10/31/07	680.91	03/09/09	1145.08	-42.42%	7.49%	3.90%
S&P Consumer Discretionary	456.78	05/15/13	125.72	03/09/09	443.96	-2.81%	18.75%	1.53%
S&P Consumer Staples	434.10	05/15/13	199.80	03/09/09	412.30	-5.02%	15.44%	2.91%
S&P Energy	668.81	05/20/08	187.40	08/05/03	590.86	-11.66%	11.98%	2.16%
S&P Utilities	223.91	12/10/07	102.51	08/05/03	190.25	-15.03%	8.89%	4.12%
S&P Financials	509.55	02/20/07	81.74	03/06/09	266.80	-47.64%	21.50%	1.71%
S&P Banks	414.38	02/20/07	49.02	03/05/09	185.44	-55.25%	18.64%	2.26%
FTSE NAREIT Equity REITs	676.54	02/07/07	163.57	03/06/09	549.62	-18.76%	8.16%	3.41%
S&P Health Care	573.11	05/28/13	252.84	03/05/09	555.95	-2.99%	21.13%	1.88%
S&P Pharmaceuticals	456.23	04/23/13	214.50	03/03/09	435.86	-4.46%	18.47%	2.83%
NYSE Arca Biotechnology	2065.51	05/14/13	421.94	08/06/03	1983.77	-3.96%	28.29%	0.08%
S&P Information Technology	512.28	05/30/13	198.51	11/20/08	508.00	-0.84%	10.35%	1.61%
Philadelphia Semiconductor	560.65	01/12/04	171.32	11/20/08	468.63	-16.41%	22.88%	1.64%
S&P Telecom Services	181.06	05/31/07	88.10	03/09/09	155.01	-14.39%	8.46%	4.47%
S&P Industrials	382.94	05/21/13	132.83	03/09/09	375.42	-1.96%	15.22%	2.22%
S&P Materials	285.91	05/16/08	108.33	03/02/09	253.01	-11.51%	7.48%	2.56%
Philadelphia Gold & Silver	228.95	04/08/11	64.36	10/27/08	107.36	-53.11%	-34.59%	2.38%
Reuters/Jefferies CRB	473.52	07/02/08	200.34	03/02/09	281.85	-40.48%	-4.46%	N/A
Merrill Lynch Perpetual Preferred	197.97	05/08/13	51.79	03/09/09	194.76	-1.62%	3.70%	5.83%
Merrill Lynch High Yield Master II	333.28	05/09/13	130.37	12/12/08	328.28	-1.50%	4.25%	6.47%