

The Economy

Brian Wesbury, Chief Economist at First Advisors L.P., continues to label the current U.S. expansion a "Plow Horse" economy. The U.S. GDP growth rate for Q2'13 was 1.7% (annualized), slightly above the 1.4% average rate of growth over the past four quarters (6/12-6/13), which was down from the 2.9% average growth rate from 6/11-6/12. The U.S. has added 182,850 new jobs per month, on average, since 6/11. While that figure is below the 250,000 target that many pundits said was needed to make a notable dent in the nation's high unemployment rate, it has been enough to help boost consumer confidence levels, in our opinion. The Conference Board's Consumer Confidence Index is up from a reading of 40.90 in 10/11 to 80.30 in 7/13.

Consumer Confidence 80.3 (Jul) 81.4 (Jun)	Crude Oil (Mo.-End) \$105.03 (Jul) \$96.56 (Jun)	Personal Spending 0.5% (Jun) May was 0.3%	ISM Manufacturing 55.4 (Jul) 50.9 (Jun)	ISM Non-Manufacturing 56.0 (Jul) 52.2 (Jun)
Gold (Mo.-End) \$1312.40 (Jul) \$1223.70 (Jun)	Natural Gas (Mo.-End) \$3.45 (Jul) \$3.57 (Jun)	Factory Orders 1.5% (Jun) May was 2.1%	New Home Sales 497,000 (Jun) 476,000 (May)	Existing Home Sales 5.08M (Jun) 5.18M (May)

The Stock Market

Indices (Source: Bloomberg)

	July	12-mo.
S&P 500	5.1%	25.0%
DJIA	4.1%	22.4%
NASDAQ 100	6.3%	18.9%
S&P 400	6.2%	32.9%
Russell 2000	7.0%	34.8%
Russell 3000	5.5%	26.9%
MSCI World (ex U.S.) (USD)	5.4%	22.6%
MSCI Emerging Markets (USD)	1.1%	2.3%

Growth/Value (Source: Bloomberg)

	July	12-mo.
S&P 500 Growth	5.1%	20.5%
S&P 500 Value	5.1%	30.3%
S&P 400 Growth	6.1%	30.7%
S&P 400 Value	6.3%	35.3%
Russell 2000 Growth	7.6%	35.5%
Russell 2000 Value	6.4%	34.1%

One hundred and twenty out of the 132 subsectors (91%) that comprise the S&P 500 posted a gain in July, up from 45 (34%) last month, according to S&P Dow Jones Indices. Health Care was the best performing sector, up 7.3%. In July, the dividend-payers (411) in the S&P 500 (equal weight) posted a total return of 5.37%, vs. 6.07% for the non-payers (89), according to S&P Y-T-D, payers were up 21.33%, vs. a gain of 27.58% for the non-payers. For the 12-month period ended July, payers were up 30.73%, vs. a gain of 42.26% for the non-payers. The number of dividend increases y-t-d through July totaled 252, up from 221 at this point a year ago. Eleven dividends were cut, compared to five at this point a year ago. The S&P 500 was up 149.2% (price-only) from its closing low on 3/9/09 (1,605 days) through 7/31/13. The current bull market now ranks as the fifth strongest of all-time, according to Bespoke Investment Group. The strongest bull market for the S&P 500 was the 582.1% gain posted from 12/4/87 to 3/24/00 (4,494 days). The S&P 500 closed July at 1685.73, just below its all-time high of 1695.53 on 7/22/13. The index level would need to rise from 1685.73 to 1743.30 without a 20% decline (closing basis) to move from fifth to fourth in the strongest bull rankings, according to Bespoke. The S&P 500's estimated price-to-earnings ratio for 2014 is 13.96, according to S&P Dow Jones Indices.

U.S. Dollar Index (DXY) -2.0% (Jul) +2.1% (YTD) \$ was down 0.5% in '12	CBOE Total Equity Options (# of contracts in millions) Jul: 37.0 (+15.3%) Jun: 32.1 (-7.8%) Record 7/08: 67.2 million	Short Interest (NYSE) Jul 15: 14.1B (+1.4%) Jun 15: 13.9B (+3.0%) Record 7/08: 18.61 billion shares	VIX Volatility Index (S&P 500) 13.45 (7/31) 16.86 (6/28) Record 11/20/08: 80.86
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The Bond Market

Index (Source: Barclays)

	July	12-mo.	Yield
U.S. Treasury: Intermediate	0.12%	-1.14%	0.94%
GNMA 30 Year	-0.22%	-3.11%	3.33%
Municipal Bond (22+)	-2.46%	-4.51%	4.72%
U.S. Aggregate	0.14%	-1.91%	2.34%
Intermediate Corporate	0.73%	1.27%	2.55%
U.S. Corporate High Yield	1.90%	9.49%	6.11%
Global Aggregate	1.26%	-2.09%	2.04%
Global Emerging Markets	1.42%	1.94%	5.00%

The yield on the benchmark 10-Year T-Note rose 9 basis points to 2.58% in July. Interest rates are ascending at a slower pace. The Fed has yet to provide a definitive timetable for when it intends to pare down its stimulus (bond-buying) efforts, though many economists are forecasting that it could begin as early as September. Chicago Fed President Charles Evans said he would not rule out the possibility of starting the tapering process in September and ending it by mid-2014, according to *Barron's*. Only 40% of the bond mutual fund categories tracked by Morningstar reported net inflows in the first half of 2013, according to its own data. The categories with the highest reported net inflows were as follows: \$30.4 billion (Bank Loan); \$28.2 billion (Nontraditional Bond); \$24.6 billion (World Bond); and \$14.6 billion (Short-Term Bond).

Key Rates as of July 31		Key Yield Spread		2013 Debt Issuance Through June		
		The spread between the Merrill Lynch High Yield Master II Index and the 10-Yr. T-Note was 407 basis points on 7/31/13, down from 444 on 6/28/13. It was 606 on 7/31/12.		(Source: Thomson Reuters)		
				Debt Category	\$ Amount	% change over '12
Fed Funds	0-0.25%			Treasury	\$978.0 Billion	-13.9%
2-Yr. T-Note	0.31%			Corporate	\$700.4 Billion	+9.0%
10-Yr. T-Note	2.58%			Convertible	\$15.9 Billion	+65.1%
30-Yr. Mortgage	4.38%			Asset-Backed	\$96.9 Billion	-5.8%
Bond Buyer 40	5.07%			Municipal	\$176.7 Billion	-9.0%
(Source: Bloomberg)		(Source: Bloomberg)				

Equity funds reported net *outflows* totaling \$58.0 million in 6/13, vs. \$5.3 billion (revised down) of net *inflows* in 5/13, according to the Investment Company Institute. Bond funds reported net *outflows* totaling \$60.5 billion, vs. \$12.2 billion (revised up) of net *inflows* in 5/13. Money Market fund net *outflows* totaled \$18.0 billion, vs. \$28.3 billion (revised up) of net *inflows* in 5/13. Year-to-date through June, equity funds reported net *inflows* totaling \$76.3 billion, vs. \$33.0 billion of net *inflows* for bond funds (municipals had net *outflows* totaling \$10.0B) and \$115.1 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
S&P 500	1695.53	7/22/13	676.53	3/9/09	1685.73	-0.58%	19.61%	2.03%
S&P 500 Growth	890.40	7/22/13	363.99	3/9/09	887.37	-0.34%	17.72%	1.79%
S&P 500 Value	836.19	7/13/07	307.16	3/9/09	788.54	-5.70%	21.64%	2.34%
S&P 400	1239.73	7/23/13	404.62	3/9/09	1231.90	-0.63%	21.67%	1.53%
S&P 400 Growth	557.03	7/22/13	174.44	11/20/08	553.75	-0.59%	20.10%	1.21%
S&P 400 Value	433.83	7/23/13	144.98	3/9/09	430.87	-0.68%	23.29%	1.84%
S&P 100	759.38	7/22/13	322.13	3/9/09	755.23	-0.55%	18.36%	2.19%
DJIA	15567.74	7/23/13	6547.05	3/9/09	15499.54	-0.44%	19.95%	2.35%
NASDAQ 100	3090.19	7/31/13	1036.51	11/20/08	3090.19	0.00%	17.01%	1.46%
Russell 2000	1054.18	7/25/13	343.26	3/9/09	1045.26	-0.85%	23.97%	1.61%
Russell 2000 Growth	609.80	7/25/13	190.73	3/9/09	608.30	-0.25%	26.32%	1.04%
Russell 2000 Value	1382.64	7/23/13	469.32	3/9/09	1362.16	-1.48%	21.74%	2.22%
Russell 3000	1011.49	7/22/13	389.61	3/9/09	1007.03	-0.44%	20.32%	1.98%
MSCI World x U.S. (USD)	5379.90	10/31/07	2076.69	8/6/03	4622.64	-14.08%	8.49%	3.22%
MSCI Emerging Markets (USD)	473.36	10/29/07	110.74	8/6/03	385.12	-18.64%	-8.62%	2.79%
Bovespa/Brazil (USD)	44638.24	5/19/08	4209.70	8/4/03	21065.86	-52.81%	-29.39%	4.28%
RTS/Russia (USD)	2487.92	5/19/08	451.05	8/1/03	1313.38	-47.21%	-11.29%	3.90%
Bombay SE 500/India (USD)	226.04	1/7/08	31.19	7/31/03	115.71	-48.81%	-15.09%	1.66%
Shanghai Composite/China (USD)	810.24	10/16/07	122.21	7/11/05	325.31	-59.85%	-8.26%	3.13%
KOSPI/South Korea (USD)	2.29	10/31/07	0.60	8/12/03	1.70	-25.67%	-8.51%	1.21%
Hang Seng (USD)	4082.25	10/30/07	1275.11	8/8/03	2821.59	-30.88%	-0.97%	3.41%
MSCI Euro (USD)	1988.53	10/31/07	680.91	3/9/09	1171.12	-41.11%	10.39%	3.71%
S&P Consumer Discretionary	473.71	7/12/13	125.72	3/9/09	470.27	-0.73%	26.04%	1.42%
S&P Consumer Staples	434.10	5/15/13	199.80	3/9/09	425.66	-1.94%	19.85%	2.84%
S&P Energy	668.81	5/20/08	187.40	8/5/03	607.46	-9.17%	15.34%	2.10%
S&P Utilities	223.91	12/10/07	102.51	8/5/03	199.44	-10.93%	14.61%	3.90%
S&P Financials	509.55	2/20/07	81.74	3/6/09	275.89	-45.86%	25.95%	1.63%
S&P Banks	414.38	2/20/07	49.02	3/5/09	199.36	-51.89%	27.82%	2.09%
FTSE NAREIT Equity REITs	676.54	2/7/07	163.57	3/6/09	538.83	-20.36%	6.67%	3.53%
S&P Health Care	592.12	7/26/13	252.84	3/5/09	590.25	-0.32%	29.02%	1.75%
S&P Pharmaceuticals	460.77	7/26/13	214.50	3/3/09	459.69	-0.23%	25.54%	2.74%
NYSE Arca Biotechnology	2181.53	7/15/13	421.94	8/6/03	2142.76	-1.78%	38.57%	0.08%
S&P Information Technology	514.84	7/17/13	198.51	11/20/08	509.27	-1.08%	10.79%	1.69%
Philadelphia Semiconductor	560.65	1/12/04	171.32	11/20/08	477.78	-14.78%	25.69%	1.65%
S&P Telecom Services	181.06	5/31/07	88.10	3/9/09	156.73	-13.44%	10.78%	4.67%
S&P Industrials	393.83	7/22/13	132.83	3/9/09	390.68	-0.80%	20.25%	2.09%
S&P Materials	285.91	5/16/08	108.33	3/2/09	254.92	-10.84%	8.71%	2.71%
Philadelphia Gold & Silver	228.95	4/8/11	64.36	10/27/08	98.76	-56.86%	-39.39%	2.91%
Reuters/Jefferies CRB	473.52	7/2/08	200.34	3/2/09	283.94	-40.04%	-3.75%	N/A
Merrill Lynch Perpetual Preferred	197.97	5/8/13	51.79	3/9/09	187.31	-5.38%	-0.27%	5.90%
Merrill Lynch High Yield Master II	333.28	5/9/13	130.37	12/12/08	325.64	-2.29%	3.41%	6.65%