

The Economy

While August's 169,000 nonfarm payroll number was less than Bloomberg's 180,000 consensus estimate, it wasn't much below the 182,000 average over the past 12 months. Other areas of the economy are picking up after a brief dip in activity. Both the ISM Manufacturing Index and ISM Non-Manufacturing Index carry readings above 55 (> 50 indicates expansion). U.S. auto sales totaled an annualized 16.02 million in August, according to Bloomberg. It was the first time sales exceeded 16 million since November '07. TrueCar.com reported that the average transaction price in August set a record at \$31,252. Only 20 FDIC-insured banks failed in the first eight months of 2013. At the current pace, bank failures will tally 30 in 2013, well below the 51 registered in 2012.

Consumer Confidence 81.5 (Aug) 80.3 (Jul)	Crude Oil (Mo.-End) \$107.65 (Aug) \$105.03 (Jul)	Personal Spending +0.1% (Jul) June was +0.5%	ISM Manufacturing 55.7 (Aug) 55.4 (Jul)	ISM Non-Manufacturing 58.6 (Aug) 56.0 (Jul)
Gold (Mo.-End) \$1395.80 (Aug) \$1312.40 (Jul)	Natural Gas (Mo.-End) \$3.58 (Aug) \$3.45 (Jul)	Factory Orders -2.4% (Jul) June was +1.5%	New Home Sales 394,000 (Jul) 497,000 (Jun)	Existing Home Sales 5.39M (Jul) 5.08M (Jun)

The Stock Market

Indices (Source: Bloomberg)	Aug	12-mo.	Nineteen out of the 132 subsectors (14%) that comprise the S&P 500 posted a gain in August, down from 121 (91%) last month, according to S&P Dow Jones Indices. Materials was the best performing sector, down 0.01%. In August, the dividend-payers (412) in the S&P 500 (equal weight) posted a total return of -2.81%, vs. -2.72% for the non-payers (88), according to Standard & Poor's. Y-T-D, the payers were up 17.92%, vs. a gain of 24.11% for the non-payers. For the 12-month period ended August, payers were up 23.87%, vs. a gain of 30.74% for the non-payers. The number of dividend increases y-t-d through August totaled 270, up from 239 at this point a year ago. Eleven dividends were cut, compared to six at this point a year ago. The S&P 500 closed August 4.5% below its all-time high of 1709.67 on 8/2/13. Only 31% of the stocks in the index were trading above their 50-day moving averages on 8/30, according to Bespoke Investment Group. Cyclical sectors have the highest percentage of stocks above their 50-day averages. The following shows where each sector stood on 8/30: Energy (48.8%); Materials (48.4%); Technology (47.1%); Consumer Discretionary (41.0%); Health Care (35.2%); Industrials (27.9%); Telecommunication Services (16.7%); Consumer Staples (15.0%); Utilities (12.9%); and Financials (6.2%).
S&P 500	-2.9%	18.7%	
DJIA	-4.1%	16.1%	
NASDAQ 100	-0.3%	12.8%	
S&P 400	-3.8%	23.6%	
Russell 2000	-3.2%	26.3%	
Russell 3000	-2.8%	20.3%	
MSCI World (ex U.S.) (USD)	-1.2%	17.7%	
MSCI Emerging Markets (USD)	-1.7%	0.8%	
Growth/Value (Source: Bloomberg)	Aug	12-mo.	
S&P 500 Growth	-2.2%	15.2%	
S&P 500 Value	-3.6%	22.9%	
S&P 400 Growth	-3.6%	21.0%	
S&P 400 Value	-3.9%	26.5%	
Russell 2000 Growth	-2.0%	28.2%	
Russell 2000 Value	-4.4%	24.4%	

U.S. Dollar Index (DXY) +0.8% (Aug) +2.9% (YTD) \$ was down 0.5% in '12	CBOE Total Equity Options (# of contracts in millions) Aug: 37.3 (+0.8%) Jul: 37.0 (+15.3%) Record 7/08: 67.2 million	Short Interest (NYSE) Aug 15: 13.7B (-2.8%) Jul 15: 14.1B (+1.4%) Record 7/08: 18.61 billion shares	VIX Volatility Index (S&P 500) 17.01 (8/30) 13.45 (7/31) Record 11/20/08: 80.86
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The Bond Market

Index (Source: Barclays)	Aug	12-mo.	Yield	The yield on the benchmark 10-Year T-Note rose 21 basis points to 2.79% in August, and was up 124 basis points from its level a year ago. Municipal bond mutual funds and ETFs have experienced 15 consecutive weeks of net outflows totaling \$23.7 billion, according to <i>Barron's</i> . It noted that many pundits believe the market is oversold, but also acknowledge that the bankruptcy filing in Detroit and Puerto Rico's financial problems are likely keeping investors at bay for now. Deutsche Bank noted at the start of September that higher interest rates are not necessarily a deterrent to growth. An improving labor market, for example, can push interest rates higher and that would be viewed as a positive economic development. Low interest rate levels are not beneficial if banks are only willing to lend to their best customers.
U.S. Treasury: Intermediate	-0.45%	-1.62%	1.09%	
GNMA 30 Year	-0.24%	-3.36%	3.40%	
Municipal Bond (22+)	-2.83%	-7.43%	5.08%	
U.S. Aggregate	-0.51%	-2.47%	2.48%	
Intermediate Corporate	-0.57%	0.19%	2.72%	
U.S. Corporate High Yield	-0.61%	7.56%	6.36%	
Global Aggregate	-0.52%	-3.43%	2.13%	
Global Emerging Markets	-1.87%	-1.46%	5.35%	

Key Rates as of August 30 Fed Funds 0-0.25% 2-Yr. T-Note 0.40% 10-Yr. T-Note 2.79% 30-Yr. Mortgage 4.47% Bond Buyer 40 5.29% (Source: Bloomberg)	Key Yield Spread The spread between the Merrill Lynch High Yield Master II Index and the 10-Yr. T-Note was 406 basis points on 8/30/13, down slightly from 407 on 7/31/13. It was 574 on 8/31/12. (Source: Bloomberg)	2013 Debt Issuance Through July (Source: Thomson Reuters) <table border="1"> <thead> <tr> <th>Debt Category</th> <th>\$ Amount</th> <th>% change over '12</th> </tr> </thead> <tbody> <tr> <td>Treasury</td> <td>\$1.26 Trillion</td> <td>-11.2%</td> </tr> <tr> <td>Corporate</td> <td>\$798.2 Billion</td> <td>+7.9%</td> </tr> <tr> <td>Convertible</td> <td>\$17.3 Billion</td> <td>+70.2%</td> </tr> <tr> <td>Asset-Backed</td> <td>\$114.1 Billion</td> <td>-6.9%</td> </tr> <tr> <td>Municipal</td> <td>\$205.6 Billion</td> <td>-7.6%</td> </tr> </tbody> </table>	Debt Category	\$ Amount	% change over '12	Treasury	\$1.26 Trillion	-11.2%	Corporate	\$798.2 Billion	+7.9%	Convertible	\$17.3 Billion	+70.2%	Asset-Backed	\$114.1 Billion	-6.9%	Municipal	\$205.6 Billion	-7.6%
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Equity funds reported net *inflows* totaling \$18.1 billion in 7/13, vs. \$59.0 million (revised up) of net *inflows* in 6/13, according to the Investment Company Institute. Bond funds reported net *outflows* totaling \$16.7 billion, vs. \$59.9 billion (revised down) of net *outflows* in 6/13. Money Market fund net *inflows* totaled \$26.6 billion, vs. \$17.1 billion (revised down) of net *outflows* in 6/13. Year-to-date through July, equity funds reported net *inflows* totaling \$94.5 billion, vs. \$16.8 billion of net *inflows* for bond funds (municipals had net *outflows* totaling \$20.1B) and \$87.5 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)	Yield as of 9/3/13
S&P 500	1709.67	08/02/13	676.53	03/09/09	1632.97	-4.49%	19.61%	2.13%
S&P 500 Growth	900.42	08/02/13	363.99	03/09/09	865.68	-3.86%	17.72%	1.85%
S&P 500 Value	836.19	07/13/07	307.16	03/09/09	758.26	-9.32%	21.64%	2.46%
S&P 400	1257.72	08/01/13	404.62	03/09/09	1183.87	-5.87%	21.67%	1.64%
S&P 400 Growth	566.01	08/01/13	174.44	11/20/08	533.19	-5.80%	20.10%	1.29%
S&P 400 Value	439.39	08/01/13	144.98	03/09/09	413.26	-5.95%	23.29%	1.98%
S&P 100	765.70	08/02/13	322.13	03/09/09	730.92	-4.54%	18.36%	2.29%
DJIA	15658.36	08/02/13	6547.05	03/09/09	14810.31	-5.42%	19.95%	2.50%
NASDAQ 100	3143.52	08/02/13	1036.51	11/20/08	3073.81	-2.22%	17.01%	1.49%
Russell 2000	1063.01	08/05/13	343.26	03/09/09	1010.90	-4.90%	23.97%	1.69%
Russell 2000 Growth	622.15	08/05/13	190.73	03/09/09	596.04	-4.20%	26.32%	1.06%
Russell 2000 Value	1382.64	07/23/13	469.32	03/09/09	1299.69	-6.00%	21.74%	2.37%
Russell 3000	1021.87	08/02/13	389.61	03/09/09	976.83	-4.41%	20.32%	2.06%
MSCI World x U.S. (USD)	5379.90	10/31/07	2131.84	03/09/09	4563.09	-15.18%	8.49%	3.25%
MSCI Emerging Markets (USD)	473.36	10/29/07	120.01	08/31/03	378.51	-20.04%	-8.62%	2.79%
Bovespa/Brazil (USD)	44638.24	05/19/08	5116.00	08/31/03	21083.68	-52.77%	-29.39%	4.02%
RTS/Russia (USD)	2487.92	05/19/08	480.65	11/19/03	1290.96	-48.11%	-11.29%	4.43%
Bombay SE 500/India (USD)	226.04	01/07/08	34.83	09/18/03	101.57	-55.06%	-15.09%	1.75%
Shanghai Composite/China (USD)	810.24	10/16/07	122.21	07/11/05	342.86	-57.68%	-8.26%	2.96%
KOSPI/South Korea (USD)	2.29	10/31/07	0.60	09/29/03	1.74	-24.30%	-8.51%	1.21%
Hang Seng (USD)	4082.25	10/30/07	1386.06	09/10/03	2802.24	-31.36%	-0.97%	3.40%
MSCI Euro (USD)	1988.53	10/31/07	680.91	03/09/09	1146.06	-42.37%	10.39%	3.81%
S&P Consumer Discretionary	481.30	08/02/13	125.72	03/09/09	456.18	-5.22%	26.04%	1.48%
S&P Consumer Staples	434.10	05/15/13	199.80	03/09/09	406.32	-6.40%	19.85%	3.02%
S&P Energy	668.81	05/20/08	193.04	11/21/03	594.84	-11.06%	15.34%	2.19%
S&P Utilities	223.91	12/10/07	106.26	08/31/03	188.44	-15.84%	14.61%	4.20%
S&P Financials	509.55	02/20/07	81.74	03/06/09	261.50	-48.68%	25.95%	1.75%
S&P Banks	414.38	02/20/07	49.02	03/05/09	189.33	-54.31%	27.82%	2.31%
FTSE NAREIT Equity REITs	676.54	02/07/07	163.57	03/06/09	501.65	-25.85%	6.67%	3.83%
S&P Health Care	594.36	08/02/13	252.84	03/05/09	568.80	-4.30%	29.02%	1.82%
S&P Pharmaceuticals	464.22	08/02/13	214.50	03/03/09	439.59	-5.31%	25.54%	2.88%
NYSE Arca Biotechnology	2188.26	08/01/13	437.29	11/11/03	2057.01	-6.00%	38.57%	0.08%
S&P Information Technology	521.41	08/14/13	198.51	11/20/08	504.98	-3.15%	10.79%	1.75%
Philadelphia Semiconductor	560.65	01/12/04	171.32	11/20/08	457.70	-18.36%	25.69%	1.75%
S&P Telecom Services	181.06	05/31/07	88.10	03/09/09	150.24	-17.02%	10.78%	5.00%
S&P Industrials	398.23	08/02/13	132.83	03/09/09	379.90	-4.60%	20.25%	2.18%
S&P Materials	285.91	05/16/08	108.33	03/02/09	254.43	-11.01%	8.71%	2.71%
Philadelphia Gold & Silver	228.95	04/08/11	64.36	10/27/08	103.44	-54.82%	-39.39%	2.62%
Reuters/Jefferies CRB	473.52	07/02/08	200.34	03/02/09	291.16	-38.51%	-3.75%	N/A
Merrill Lynch Perpetual Preferred	197.97	05/08/13	51.79	03/09/09	183.58	-7.27%	-0.27%	6.00%
Merrill Lynch High Yield Master II	333.28	05/09/13	130.37	12/12/08	323.62	-2.90%	3.41%	6.85%