











The Economy

BofA Merrill Lynch reported it expects capital spending to increase by 4.7% this year and 5.7% next year, according to *Kiplinger's Personal Finance*. Spending rose 2.6% in '13. The biggest beneficiaries are likely to be technology, industrial, energy and raw materials companies. These economically sensitive sectors account for more than 40% of revenues generated by S&P 500 companies. The S&P 500 Old Industrials (ex Financials, Utilities and Transportation Companies) cash holdings stood at a record \$1.29 trillion in Q4'13, according to S&P Capital IQ. Howard Silverblatt, senior index analyst at S&P Dow Jones Indices, reported in May that cash holdings were running about 6% lower than in Q4'13. He noted that capital expenditures were about 7% higher than in Q1'13.

Consumer Confidence 83.0 (May) 82.3 (Apr) 	Crude Oil (Mo.-End) \$102.71 (May) \$99.74 (Apr) 	Personal Spending -0.1% (Apr) Mar was +0.9% 	ISM Manufacturing 55.4 (May) 54.9 (Apr) 	ISM Non-Manufacturing 56.3 (May) 55.2 (Apr) 
Gold (Mo.-End) \$1245.60 (May) \$1295.90 (Apr) 	Natural Gas (Mo.-End) \$4.54 (May) \$4.82 (Apr) 	Factory Orders +0.7% (Apr) Mar was +1.1% 	New Home Sales 433,000 (Apr) 384,000 (Mar) 	Existing Home Sales 4.65M (Apr) 4.59M (Mar) 

The Stock Market




Indices (Source: Bloomberg)

	May	12-mo.
S&P 500	2.4%	20.5%
DJIA	1.2%	13.3%
NASDAQ 100	4.5%	27.1%
S&P 400	1.8%	18.0%
Russell 2000	0.8%	16.8%
Russell 3000	2.2%	20.6%
MSCI World (ex U.S.) (USD)	1.6%	17.5%
MSCI Emerging Markets (USD)	3.5%	4.3%

Growth/Value (Source: Bloomberg)

	May	12-mo.
S&P 500 Growth	3.4%	22.3%
S&P 500 Value	1.3%	18.4%
S&P 400 Growth	1.9%	15.6%
S&P 400 Value	1.7%	20.5%
Russell 2000 Growth	1.0%	16.7%
Russell 2000 Value	0.6%	16.9%

Ninety-nine out of the 132 subsectors (75%) that comprise the S&P 500 posted a gain in May, up from 72 (55%) last month, according to S&P Dow Jones Indices. Information Technology was the best performing sector, up 3.78%. In May, the dividend-payers (421) in the S&P 500 (equal weight) posted a total return of 2.69%, vs. 0.54% for the non-payers (79), according to Standard & Poor's. Year-to-date, the payers were up 6.25%, vs. a gain of 3.37% for the non-payers. For the 12-month period ended May 2014, payers were up 28.33%, vs. a gain of 24.43% for the non-payers. The number of dividend increases in May totaled 48, up from 30 a year ago. There were no decreases in May and none in May 2013. The U.S. IPO market has strengthened in 2014. Y-T-D through 5/30, 115 IPOs were priced in the U.S., up 55.4% from the 74 launched over the same period a year ago, according to Renaissance Capital. Companies raised \$23.5 billion from the 115 IPOs, up 38.2% from the \$17.0 billion raised a year ago. The number of IPO filings y-t-d totaled 169, up 103.6% from the 83 filings a year ago. The four most active sectors for IPOs so far this year are as follows: Health Care (43 deals/\$3.0 billion); Technology (31 deals/\$6.1 billion); Financials (14 deals/\$5.6 billion); and Energy (9 deals/\$4.1 billion). Goldman Sachs likes the prospects for commodities over the next few years as the global business cycle transitions into an expansion phase.

U.S. Dollar Index (DXY) +1.1% (May) +0.4% (YTD) \$ was up 0.3% in '13 	CBOE Total Equity Options (# of contracts in millions) May: 35.2 (-10.7%)  Apr: 39.4 (-3.7%) Record 7/08: 67.2 million	Short Interest (NYSE) Apr 15: 14.2B (-0.7%)  Apr 15: 14.3B (-2.7%) Record 7/08: 18.61 billion shares	VIX Volatility Index (S&P 500) 11.40 (5/30)  13.41 (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	0.69%	0.81%	1.03%
GNMA 30 Year	1.07%	3.27%	2.93%
Municipal Bond (22+)	2.20%	2.94%	3.61%
U.S. Aggregate	1.14%	2.71%	2.17%
Intermediate Corporate	1.02%	3.48%	2.17%
U.S. Corporate High Yield	0.92%	7.90%	4.99%
Global Aggregate	0.59%	5.35%	1.80%
EM Hard Currency Agg.	2.25%	5.42%	4.36%

The yield on the benchmark 10-Year T-Note fell 17 basis points to 2.48% in May. It was up 35 basis points from 5/31/13. The decline in interest rates through the first five months of 2014, both domestically and abroad, has been a boon for fixed-income investors. Long-term municipal bonds have been among the top performers y-t-d, up 9.89% on a total return basis, as measured by the Barclays Municipal Bond: Long Bond (22+) Index. Tom Kozlik, director of municipal credit analysis at Janney Montgomery Scott LLC, is forecasting around \$250 billion to \$275 billion of municipal bond issuance in 2014, according to ETF Trends. Kozlik believes that issuance will continue to decline on a yearly basis through 2017, when he estimates it will stand at \$175 billion. The Barclays Municipal Bond: Long Bond (22+) Index closed at a 4.25% discount to par on 5/30.

Key Rates as of May 30		Key Yield Spread		2014 Debt Issuance Through April		
		The spread between the Merrill Lynch U.S. High Yield Constrained Index and the 10-Yr. T-Note was 337 basis points on 5/31/14, down from 311 on 4/30/14. It was 422 on 5/31/13.		(Source: Thomson Reuters)		
				Debt Category	\$ Amount	% change over '13
Fed Funds	0-0.25%			Treasury	\$757.3 Billion	+5.0%
2-Yr. T-Note	0.38%			Corporate	\$514.3 Billion	+0.3%
10-Yr. T-Note	2.48%			Convertible	\$11.9 Billion	+45.1%
30-Yr. Mortgage	4.15%			Asset-Backed	\$76.6 Billion	+14.7%
Bond Buyer 40	4.50%			Municipal	\$89.4 Billion	-27.0%
(Source: Bloomberg)		(Source: Bloomberg)				

Equity funds reported net *inflows* totaling \$4.5 billion in 4/14, vs. \$10.5 billion (revised up) of net *inflows* in 3/14, according to the Investment Company Institute. Bond funds reported net *inflows* totaling \$7.4 billion, vs. \$12.5 billion of net *inflows* in 3/14. Money Market fund net *outflows* totaled \$58.0 billion, vs. \$29.2 billion of net *outflows* in 3/14. Y-T-D through April, equity funds reported net *inflows* totaling \$58.6 billion, vs. \$28.9 billion of net *inflows* for bond funds (municipals had net *inflows* totaling \$4.5B) and \$143.3 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	1923.57	05/30/14	676.53	03/09/09	1923.57	0.00%	4.96%	1.93%
S&P 500 Growth	1036.12	05/30/14	363.99	03/09/09	1036.12	0.00%	5.11%	1.55%
S&P 500 Value	878.05	05/30/14	307.16	03/09/09	878.05	0.00%	4.81%	2.35%
S&P 400	1394.66	04/02/14	404.62	03/09/09	1377.98	-1.20%	3.21%	1.44%
S&P 400 Growth	631.47	03/04/14	174.44	11/20/08	613.37	-2.87%	1.10%	1.05%
S&P 400 Value	487.18	05/29/14	144.98	03/09/09	486.92	-0.05%	5.44%	1.84%
S&P 100	852.69	05/30/14	322.13	03/09/09	852.69	0.00%	4.51%	2.09%
DJIA	16717.17	05/30/14	6547.05	03/09/09	16717.17	0.00%	1.92%	2.18%
NASDAQ 100	3736.82	05/30/14	1036.51	11/20/08	3736.82	0.00%	4.64%	1.38%
Russell 2000	1208.65	03/04/14	343.26	03/09/09	1134.50	-6.14%	-2.02%	1.44%
Russell 2000 Growth	725.38	03/04/14	190.73	03/09/09	660.69	-8.92%	-3.75%	0.76%
Russell 2000 Value	1534.14	04/02/14	469.32	03/09/09	1477.11	-3.72%	-0.22%	2.10%
Russell 3000	1147.18	05/30/14	389.61	03/09/09	1147.18	0.00%	4.32%	1.84%
MSCI World x U.S. (USD)	5379.90	10/31/07	2131.84	03/09/09	5358.99	-0.39%	3.92%	3.31%
MSCI Emerging Markets (USD)	473.36	10/29/07	134.31	06/14/04	424.41	-10.34%	3.39%	2.67%
Ibovespa/Brazil (USD)	44638.24	05/19/08	6157.83	06/14/04	22891.06	-48.72%	4.08%	4.30%
RTS/Russia (USD)	2487.92	05/19/08	498.20	01/23/09	1295.75	-47.92%	-10.12%	3.48%
Bombay SE 500/India (USD)	226.04	01/07/08	40.17	06/23/04	155.76	-31.09%	23.55%	1.51%
Shanghai Composite/China (USD)	810.24	10/16/07	122.21	07/11/05	326.43	-59.71%	-6.41%	3.00%
KOSPI/South Korea (USD)	2.29	10/31/07	0.62	08/02/04	1.96	-14.70%	2.62%	1.10%
Hang Seng (USD)	4082.25	10/30/07	1420.68	10/27/08	2977.16	-27.07%	0.67%	3.77%
MSCI Euro (USD)	1988.53	10/31/07	680.91	03/09/09	1413.39	-28.92%	6.14%	3.26%
S&P Consumer Discretionary	534.16	03/06/14	125.72	03/09/09	519.94	-2.66%	-1.36%	1.40%
S&P Consumer Staples	461.78	05/30/14	199.80	03/09/09	461.78	0.00%	5.38%	2.57%
S&P Energy	695.51	05/07/14	238.54	05/31/04	693.46	-0.29%	7.52%	2.11%
S&P Utilities	223.91	12/10/07	113.81	03/09/09	215.87	-3.59%	13.57%	3.65%
S&P Financials	509.55	02/20/07	81.74	03/06/09	299.78	-41.17%	2.49%	1.72%
S&P Banks	414.38	02/20/07	49.02	03/05/09	214.27	-48.29%	3.36%	1.73%
FTSE NAREIT Equity REITs	676.54	02/07/07	163.57	03/06/09	579.19	-14.39%	15.02%	3.40%
S&P Health Care	694.53	03/04/14	252.84	03/05/09	690.24	-0.62%	8.22%	1.60%
S&P Pharmaceuticals	535.37	05/01/14	214.50	03/03/09	531.90	-0.65%	9.93%	2.51%
NYSE Arca Biotechnology	2946.23	02/25/14	447.78	08/09/04	2586.71	-12.20%	11.09%	0.15%
S&P Information Technology	618.45	05/30/14	198.51	11/20/08	618.45	0.00%	6.45%	1.53%
Philadelphia Semiconductor	599.59	05/30/14	171.32	11/20/08	599.59	0.00%	12.93%	1.63%
S&P Telecom Services	181.06	05/31/07	88.10	03/09/09	160.29	-11.47%	5.47%	4.81%
S&P Industrials	465.14	05/30/14	132.83	03/09/09	465.14	0.00%	3.67%	1.94%
S&P Materials	309.03	05/29/14	108.33	03/02/09	308.93	-0.03%	6.83%	2.20%
Philadelphia Gold & Silver	228.95	04/08/11	64.36	10/27/08	85.06	-62.85%	1.66%	1.63%
Reuters/Jefferies CRB	473.52	07/02/08	200.34	03/02/09	305.48	-35.49%	9.03%	N/A
Merrill Lynch Perpetual Preferred	202.66	05/31/14	51.79	03/09/09	202.66	0.00%	10.52%	5.52%
Merrill Lynch High Yield Constrained	354.30	05/31/14	130.37	12/12/08	354.30	0.00%	4.75%	5.85%