











The Economy

The number of new jobs being created in the U.S. accelerated in Q2'14. Nonfarm payrolls jumped from an average of 190,000 per month in Q1 to 272,000 in Q2. At the start of the recovery in Q3'09, it was reported that the U.S. would need to create around 250,000 per month to make a serious dent in the unemployment rate. U.S. consumers continue to get their fiscal houses in order. The S&P/Experian Consumer Credit Default Composite Index stood at 1.04% in May 2014, down from 1.11% in April 2014 and down from 1.42% in May 2013, according to the S&P Dow Jones Indices. The 1.04% default rate represents an eight-year low. U.S. auto sales (SA) increased from 9.98 million (annualized) in 6/09 to 16.92 million (annualized) in 6/14.

Consumer Confidence 85.2 (Jun) 83.0 (May) 	Crude Oil (Mo.-End) \$105.37 (Jun) \$102.71 (May) 	Personal Spending +0.2% (May) Apr was -0.1% 	ISM Manufacturing 55.3 (Jun) 55.4 (May) 	ISM Non-Manufacturing 56.0 (Jun) 56.3 (May) 
Gold (Mo.-End) \$1322.00 (Jun) \$1245.60 (May) 	Natural Gas (Mo.-End) \$4.46 (Jun) \$4.54 (May) 	Factory Orders -0.5% (May) Apr was +0.7% 	New Home Sales 504,000 (May) 433,000 (Apr) 	Existing Home Sales 4.89M (May) 4.65M (Apr) 

The Stock Market

Indices (Source: Bloomberg)

	Jun	12-mo.
S&P 500	2.1%	24.6%
DJIA	0.8%	15.5%
NASDAQ 100	3.1%	34.1%
S&P 400	4.1%	25.2%
Russell 2000	5.3%	23.6%
Russell 3000	2.5%	25.2%
MSCI World (ex U.S.) (USD)	1.4%	23.8%
MSCI Emerging Markets (USD)	2.7%	14.3%

Growth/Value (Source: Bloomberg)

	Jun	12-mo.
S&P 500 Growth	2.1%	27.1%
S&P 500 Value	2.1%	21.9%
S&P 400 Growth	4.0%	23.2%
S&P 400 Value	4.3%	27.3%
Russell 2000 Growth	6.2%	24.7%
Russell 2000 Value	4.4%	22.5%

Ninety-one out of the 132 subsectors (69%) that comprise the S&P 500 posted a gain in June, down from 99 (75%) last month, according to S&P Dow Jones Indices. Energy was the best performing sector, up 5.05%. In June, the dividend-payers (422) in the S&P 500 (equal weight) posted a total return of 2.56%, vs. 3.91% for the non-payers (79), according to Standard & Poor's. There are currently 501 stocks in the index due to the introduction of Google C shares. Y-T-D, the payers were up 9.77%, vs. a gain of 8.76% for the non-payers. For the 12-mo. period ended June, payers were up 34.11%, vs. a gain of 32.26% for the non-payers. The number of dividend increases in June totaled 13, down from 15 a year ago. There were no decreases in June and none a year ago. In the first half of '14, there were 225 increases, up from 219 a year ago. There were six decreases, down from 10 a year ago. From 1928-2013, the S&P 500 posted an average return (price-only) of 3.69% in the first half of the calendar year, compared to an average gain of 3.89% in the second half, according to Bespoke Investment Group. Y-T-D through 6/30, the S&P 500 was up 7.14%. This marked the fourth consecutive year with a first half gain of more than 5.00%. From 1928-2013, the S&P 500 posted a positive return 63% of the time in the first half of the year, compared to 67% for the second half.

U.S. Dollar Index (DXY) -0.7% (Jun) -0.3% (YTD) \$ was up 0.3% in '13 	CBOE Total Equity Options (# of contracts in millions) Jun: 36.5 (+3.7%)  May: 35.2 (-10.7%) Record 7/08: 67.2 million	Short Interest (NYSE) Jun 15: 14.5B (+2.8%)  May 15: 14.1B (-1.4%) Record 7/08: 18.61 billion shares	VIX Volatility Index (S&P 500) 11.57 (6/30)  11.40 (5/30) Record 11/20/08: 80.86
--	--	--	--

The Bond Market

Index (Source: Barclays)

	Jun	12-mo.	Yield
U.S. Treasury: Intermediate	-0.13%	1.51%	1.11%
GNMA 30 Year	0.32%	4.78%	2.92%
Municipal Bond (22+)	0.27%	7.97%	3.61%
U.S. Aggregate	0.05%	4.37%	2.22%
Intermediate Corporate	0.02%	5.61%	2.24%
U.S. Corporate High Yield	0.84%	11.73%	4.91%
Global Aggregate	0.73%	7.39%	1.78%
EM Hard Currency Agg.	0.81%	10.95%	4.31%

The yield on the benchmark 10-Year T-Note rose 5 basis points to 2.53% in June. It was up 4 basis points from 6/28/13. Bond yields remain at low levels despite the bump in monthly nonfarm payroll figures, a 1 percentage point increase in the rate of inflation since February (CPI stands at 2.1%) and the ongoing tapering of the Federal Reserve's monthly bond buying program (\$85 billion down to \$35 billion per month). Perhaps one of the biggest contributing factors for why interest rates have yet to move higher in the U.S. is interest rate levels overseas. In some cases, they are actually lower. As of the close of June, 10-Yr. government bond yields in Germany, France, Sweden and Switzerland ranged from 0.64% to 1.83%. Due to the disparity in interest rates, the U.S. bond market is attracting significant foreign capital, according to *Barron's*.

Key Rates as of June 30 Fed Funds 0-0.25% 2-Yr. T-Note 0.46% 10-Yr. T-Note 2.53% 30-Yr. Mortgage 4.19% Bond Buyer 40 4.52% (Source: Bloomberg)	Key Yield Spread The spread between the Merrill Lynch U.S. High Yield Constrained Index and the 10-Yr. T-Note was 325 basis points on 6/30/14, down from 337 on 5/31/14. It was 444 on 6/28/13. (Source: Bloomberg)	2014 Debt Issuance Through May (Source: Thomson Reuters) <table border="1"> <thead> <tr> <th>Debt Category</th> <th>\$ Amount</th> <th>% change over '13</th> </tr> </thead> <tbody> <tr> <td>Treasury</td> <td>\$852.2 Billion</td> <td>-5.8%</td> </tr> <tr> <td>Corporate</td> <td>\$650.4 Billion</td> <td>-3.4%</td> </tr> <tr> <td>Convertible</td> <td>\$15.1 Billion</td> <td>+23.8%</td> </tr> <tr> <td>Asset-Backed</td> <td>\$95.4 Billion</td> <td>+19.0%</td> </tr> <tr> <td>Municipal</td> <td>\$114.0 Billion</td> <td>-25.4%</td> </tr> </tbody> </table>	Debt Category	\$ Amount	% change over '13	Treasury	\$852.2 Billion	-5.8%	Corporate	\$650.4 Billion	-3.4%	Convertible	\$15.1 Billion	+23.8%	Asset-Backed	\$95.4 Billion	+19.0%	Municipal	\$114.0 Billion	-25.4%
Debt Category	\$ Amount	% change over '13																		
Treasury	\$852.2 Billion	-5.8%																		
Corporate	\$650.4 Billion	-3.4%																		
Convertible	\$15.1 Billion	+23.8%																		
Asset-Backed	\$95.4 Billion	+19.0%																		
Municipal	\$114.0 Billion	-25.4%																		

Equity funds reported net *inflows* totaling \$562.4 million in 5/14, vs. \$4.5 billion of net *inflows* in 4/14, according to the Investment Company Institute. Bond funds reported net *inflows* totaling \$11.2 billion, vs. \$7.5 billion of net *inflows* in 4/14. Money Market fund net *inflows* totaled \$3.1 billion, vs. \$58.0 billion of net *outflows* in 4/14. Y-T-D through May, equity funds reported net *inflows* totaling \$59.1 billion, vs. \$40.2 billion of net *inflows* for bond funds (municipals had net *inflows* totaling \$8.0B) and \$140.2 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	1962.87	06/20/14	676.53	03/09/09	1960.23	-0.13%	7.13%	1.91%
S&P 500 Growth	1056.44	06/27/14	363.99	03/09/09	1056.21	-0.02%	7.30%	1.54%
S&P 500 Value	900.02	06/23/14	307.16	03/09/09	894.47	-0.62%	6.96%	2.32%
S&P 400	1432.94	06/30/14	404.62	03/09/09	1432.94	0.00%	7.48%	1.38%
S&P 400 Growth	636.98	06/30/14	174.44	11/20/08	636.98	0.00%	5.10%	1.02%
S&P 400 Value	507.03	06/30/14	144.98	03/09/09	507.03	0.00%	10.01%	1.74%
S&P 100	866.69	06/23/14	322.13	03/09/09	865.47	-0.14%	6.23%	2.07%
DJIA	16947.08	06/20/14	6547.05	03/09/09	16826.60	-0.71%	2.68%	2.18%
NASDAQ 100	3849.48	06/30/14	1036.51	11/20/08	3849.48	0.00%	7.87%	1.31%
Russell 2000	1208.65	03/04/14	343.26	03/09/09	1192.96	-1.30%	3.19%	1.38%
Russell 2000 Growth	725.38	03/04/14	190.73	03/09/09	701.22	-3.33%	2.22%	0.70%
Russell 2000 Value	1538.55	06/30/14	469.32	03/09/09	1538.55	0.00%	4.20%	2.06%
Russell 3000	1174.26	06/20/14	389.61	03/09/09	1174.08	-0.02%	6.94%	1.81%
MSCI World x U.S. (USD)	5472.46	06/19/14	2131.84	03/09/09	5435.17	-0.68%	5.40%	3.29%
MSCI Emerging Markets (USD)	473.36	10/29/07	136.82	07/26/04	435.69	-7.96%	6.14%	2.66%
Ibovespa/Brazil (USD)	44638.24	05/19/08	6806.64	06/30/04	24146.52	-45.91%	9.79%	4.37%
RTS/Russia (USD)	2487.92	05/19/08	498.20	01/23/09	1366.08	-45.09%	-4.22%	3.65%
Bombay SE 500/India (USD)	226.04	01/07/08	41.77	06/30/04	162.68	-28.03%	29.41%	1.41%
Shanghai Composite/China (USD)	810.24	10/16/07	122.21	07/11/05	330.21	-59.25%	-3.87%	3.13%
KOSPI/South Korea (USD)	2.29	10/31/07	0.62	08/02/04	1.98	-13.68%	3.85%	1.10%
Hang Seng (USD)	4082.25	10/30/07	1420.68	10/27/08	2992.20	-26.70%	2.03%	3.85%
MSCI Euro (USD)	1988.53	10/31/07	680.91	03/09/09	1409.13	-29.14%	6.09%	3.44%
S&P Consumer Discretionary	534.16	03/06/14	125.72	03/09/09	529.43	-0.88%	0.60%	1.42%
S&P Consumer Staples	467.46	06/19/14	199.80	03/09/09	459.33	-1.74%	5.18%	2.62%
S&P Energy	737.09	06/23/14	245.41	08/17/04	727.63	-1.28%	12.96%	2.03%
S&P Utilities	224.93	06/30/14	113.81	03/09/09	224.93	0.00%	18.65%	3.51%
S&P Financials	509.55	02/20/07	81.74	03/06/09	306.61	-39.83%	4.97%	1.71%
S&P Banks	414.38	02/20/07	49.02	03/05/09	219.85	-46.94%	6.13%	1.69%
FTSE NAREIT Equity REITs	676.54	02/07/07	163.57	03/06/09	582.61	-13.88%	16.25%	3.51%
S&P Health Care	708.54	06/26/14	252.84	03/05/09	704.52	-0.57%	10.59%	1.58%
S&P Pharmaceuticals	545.98	06/26/14	214.50	03/03/09	541.69	-0.79%	12.09%	2.46%
NYSE Arca Biotechnology	2946.23	02/25/14	447.78	08/09/04	2776.28	-5.77%	19.23%	0.15%
S&P Information Technology	632.46	06/30/14	198.51	11/20/08	632.46	0.00%	8.94%	1.51%
Philadelphia Semiconductor	635.93	06/30/14	171.32	11/20/08	635.93	0.00%	19.87%	1.54%
S&P Telecom Services	181.06	05/31/07	88.10	03/09/09	158.25	-12.60%	4.26%	4.87%
S&P Industrials	477.85	06/09/14	132.83	03/09/09	465.61	-2.56%	4.00%	1.98%
S&P Materials	314.08	06/23/14	108.33	03/02/09	313.44	-0.20%	8.62%	1.99%
Philadelphia Gold & Silver	228.95	04/08/11	64.36	10/27/08	100.86	-55.95%	20.59%	1.39%
Reuters/Jefferies CRB	473.52	07/02/08	200.34	03/02/09	308.22	-34.91%	10.01%	N/A
Merrill Lynch Perpetual Preferred	203.61	06/30/14	51.79	03/09/09	203.61	0.00%	11.04%	5.46%
Merrill Lynch High Yield Constrained	357.59	06/24/14	130.37	12/12/08	357.31	-0.08%	5.64%	5.78%