



MONTHLY SUMMARY

Economic pressures and diminished growth were evident throughout the month of July. The labor market remained weak with unemployment reported at 9.2% and de minimis nonfarm payroll growth. Initial jobless claims ticked below the psychologically important 400,000 level, but remain uncomfortably high. Growth in the service and manufacturing sectors remained positive, but each have steadily dropped from higher levels. Improvement in industrial production and capacity utilization has been harder to achieve this year and durable goods orders dropped. Perhaps as an exclamation point to economic challenges, GDP growth in the second quarter came in at 1.3% while growth in the first quarter was revised down to a paltry 0.4% from the government's prior estimate of 1.9%.

Despite the importance of the aforementioned data, economic releases seemed but a side show to the three ring circus taking place in Washington D.C. True to form, U.S. politicians appear to have cobbled together an 11th hour agreement sufficient to raise the debt ceiling and thus sidestep a default. That being said, for all the hemming and hawing, very little was actually accomplished. A roadmap of sorts was laid out with targets, deadlines, and consequences, but sorting out the details remains a nebulous activity for the future. We have heard that before and this saga will continue.

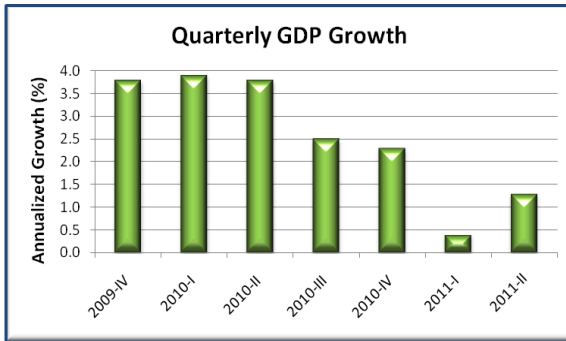
Not to be outdone by the U.S., European leaders worked feverishly to hatch a second bailout package for Greece. The relief from this plan, in part developed to halt cross nation contagion, was quickly rewarded with interest rate spikes in other troubled nations anyway. Greece will likely claim the distinction of the first euro-zone country to default and European debt issues will continue.

July's Economic Releases

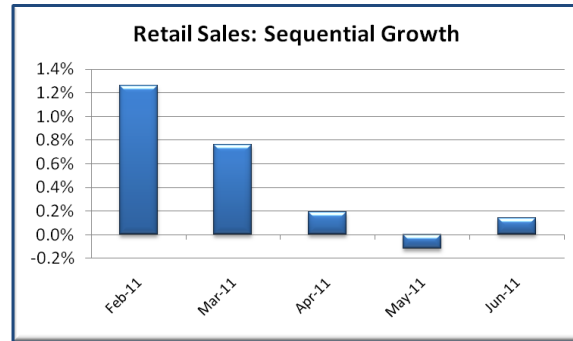
General	Prior	Current
GDP growth	0.4% (Q1)	1.3% (Q2)
Trade balance	-\$43.6 B (Apr)	-\$50.2 B (May)

Employment	Prior	Current
Initial jobless claims	422,000	398,000
Continuing claims	3.7 MM	3.7 MM
Nonfarm payrolls	25,000 (May)	18,000 (Jun)
Unemployment rate	9.1% (May)	9.2% (Jun)
Average weekly hours	34.4 (May)	34.3 (Jun)

Consumer	Prior	Current
Consumer confidence index (Conf. Board)	57.6 (Jun)	59.5 (Jul)
Retail sales growth (YoY)	6.7 % (May)	7.1% (Jun)
Consumer credit	\$5.7 B (Apr)	\$5.1 B (May)



Data Source: U.S. Bureau of Economic Analysis



Data Source: U.S. Census Bureau

Manufacturing & Service

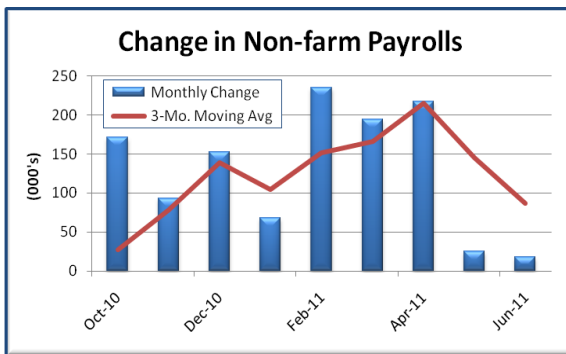
	<u>Prior</u>	<u>Current</u>
ISM manufacturing index	55.3 (Jun)	50.9 (Jul)
ISM non-manufacturing index	54.6 (May)	53.3 (Jun)
Durable goods orders growth	1.9% (May)	-2.1% (Jun)
Industrial production growth	-0.1% (May)	0.2% (Jun)
Capacity utilization	76.7% (May)	76.7% (Jun)

Real Estate

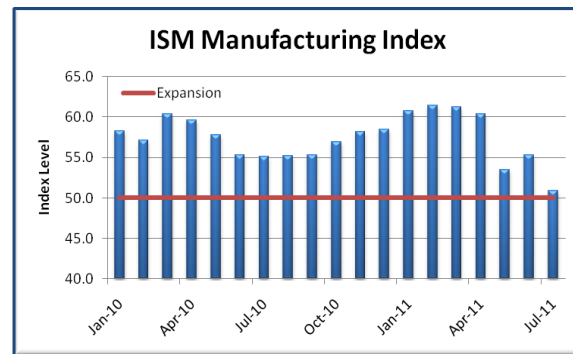
	<u>Prior</u>	<u>Current</u>
New home sales	315,000 (May)	312,000 (Jun)
Existing home sales	4.8 MM (May)	4.8 MM (Jun)
Case-Shiller home price index (YoY)	-4.2% (Apr)	-4.5% (May)

Inflation

	<u>Prior</u>	<u>Current</u>
Consumer price index/Core (YoY growth)	3.6%/1.5% (May)	3.6%/1.6% (Jun)
Producer price index/Core (YoY growth)	7.3%/2.1% (May)	7.0%/2.4% (Jun)



Data Source: U.S. Department of Labor



Data Source: Institute for Supply Chain Management

Market Returns

The S&P 500 index lost 2.0% for the month and is now up 3.9% for the year. Internationally, the MSCI EAFE Developed Markets index dropped 1.6% in July while the corresponding Emerging Markets index gave up 0.4% for the period. Year-to-date, international developed and emerging markets have gained 3.3% and 0.4%, respectively. Dollar weakness has materially enhanced international investment returns so far this year.

In the fixed income market, the Barclays U.S. Aggregate index was up 1.6% for the month and the 10-year U.S. Treasury bond ended with a yield of 2.82%, down 36 bps for



the month and 48 bps for the year. Year-to-date, the Barclays U.S. Aggregate has gained 4.4%. Commodities gained 3.0% this month for a flat year-to-date return while publicly traded REITs tacked on 0.1% to bring their gain so far this year to 10.2%.

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