

Monthly Summary

Strong earnings results and diminished European credit concerns provided a solid foundation to help recoup equity market losses from May and June. Dollar weakness assisted commodity markets and enhanced returns from foreign currency investments. The rally, unfazed by somewhat weak and generally disappointing economic releases, was broad based across all major asset classes and capital market segments.

As anticipated, results from European financial institution stress tests were released during the month. Expectations were for the tests to be something less than onerous, which proved to be the case. Be that as it may, the findings provided investors with a sense of relief and translated into additional market support.

Meanwhile, on this side of the pond, legislative activity was in high gear to start out the second half of 2010. Unfinished work was completed to extend unemployment benefits as well as to reform financial services regulation. Efforts to control and regulate emissions, also known as cap and trade, were shelved indefinitely due to lack of support.

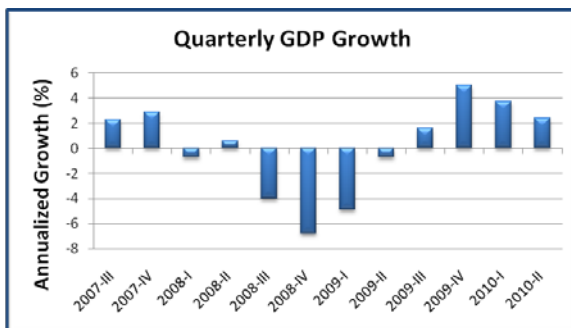
Expectations for second half economic growth have been dialed back and more effectively priced into the capital markets. Going forward, this should help to eliminate market surprises and to create better market stability.

July's Economic Releases

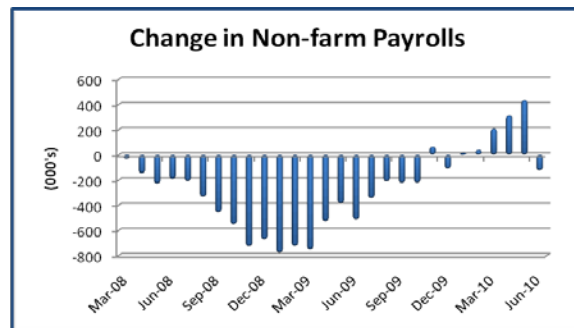
<u>General</u>	<u>Prior</u>	<u>Current</u>
GDP growth	3.7% (Q1)	2.4% (Q2)
Trade balance	-\$40.3 B (Apr)	-\$42.3 B (May)

<u>Employment</u>	<u>Prior</u>	<u>Current</u>
Initial jobless claims	468,000	457,000
Continuing claims	4.5 MM	4.6 MM
Nonfarm payrolls	433,000 (May)	-125,000 (Jun)
Unemployment rate	9.7% (May)	9.5% (Jun)
Average weekly hours	34.2 (May)	34.1 (Jun)

<u>Consumer</u>	<u>Prior</u>	<u>Current</u>
Consumer confidence index (Conf. Board)	54.3 (Jun)	50.4 (Jul)
Retail sales growth (YoY)	8.9% (Apr)	6.0% (May)
Consumer credit	-\$14.9 B (May)	-\$9.1 B (Jun)



Data Source: Bureau of Economic Analysis



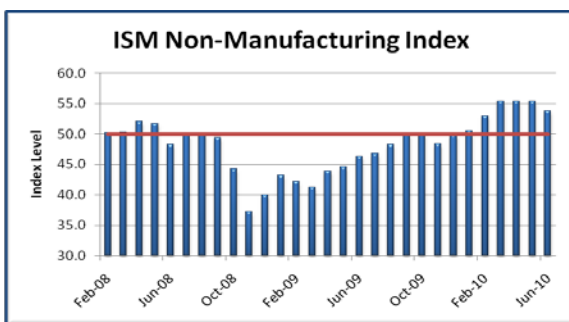
Data Source: Bureau of Labor Statistics



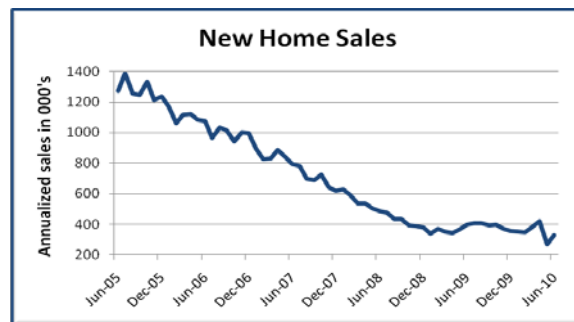
Manufacturing & Service	Prior	Current
ISM manufacturing index	59.7 (May)	56.2 (Jun)
ISM non-manufacturing index	55.4 (May)	53.8 (Jun)
Durable goods orders growth	-0.8% (May)	-1.0% (Jun)
Industrial production growth	1.3% (May)	0.1% (Jun)
Capacity utilization	74.1% (May)	74.1% (Jun)

Real Estate	Prior	Current
New home sales	267,000 (May)	330,000 (Jun)
Existing home sales	5.7 MM (May)	5.4 MM (Jun)
Case-Shiller home price index (YoY)	3.8% (Apr)	4.6% (May)

Inflation	Prior	Current
Consumer price index/Core (YoY growth)	2.0%/0.9% (May)	1.1%/0.9% (Jun)
Producer price index/Core (YoY growth)	5.3%/1.3% (May)	2.8%/1.1% (Jun)



Data Source: U.S. Census Bureau



Data Source: Institute for Supply Management

Market Returns

The S&P 500 index gained 7.0% for the period and is now flat for the year. Developed international equity markets, as defined by the MSCI EAFE Developed Markets index, rebounded 9.5% for the month, with over half of the gain driven by material U.S. dollar weakness. Emerging markets fared similarly to their developed counterparts with the MSCI Emerging Markets index up 8.3% for the month. Year-to-date, international developed and emerging markets returned -5.0% and 1.7%, respectively.

In the fixed income market, the Barclays US Aggregate index was up 1.1% for the month and the 10-year U.S. Treasury bond ended with a yield of 2.91%, flat for the month but down 93bps in 2010. For the year, the Barclays U.S. Aggregate has gained 6.5%. On a global basis, bonds were up 3.4% for the month and 3.1% for the year.

In other markets, commodities rallied 6.8% during the month and real estate investment trusts (REITs) were the star performers. On both a domestic and global basis, REITs delivered nearly 10% in July.

Disclaimers

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