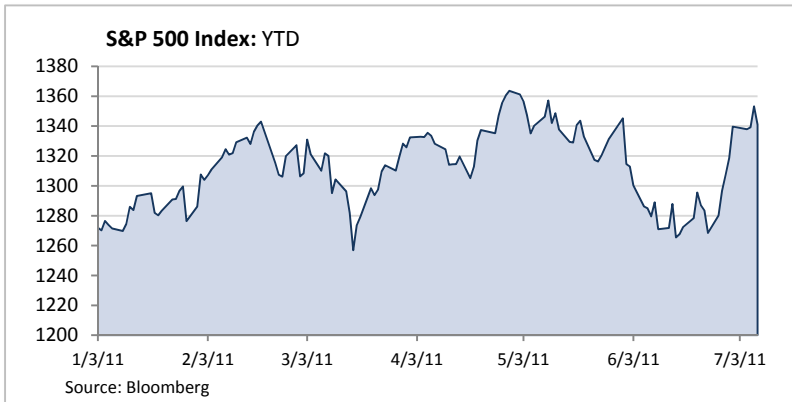


	Price	Weekly Chg.	% Chg.	YTD % Price Chg.
<b>S&amp;P 500</b>	1,343.80	4.13	0.31%	6.85%
<b>Dow Industrials</b>	12,657.20	74.43	0.59%	9.33%
<b>Nasdaq Composite</b>	2,859.81	43.78	1.55%	7.80%
<b>Russell 2000</b>	852.58	12.54	1.49%	8.80%
<b>Euro Stoxx Index</b>	275.25	-6.59	-2.34%	0.29%
<b>Shanghai Composite</b>	2,797.77	38.41	1.39%	-0.37%
<b>10-Year U.S. Treasury</b>	3.02%	-18 bps	NM	-28 bps
<b>DJ UBS Commodity Index</b>	160.83	3.97	2.53%	-0.96%
<b>Gold</b>	\$1,543.60	\$57.00	3.83%	8.27%
<b>Crude Oil</b>	\$96.38	\$1.66	1.75%	3.18%
<b>U.S. Dollar Index</b>	75.16	0.88	1.18%	-4.89%
<b>VIX Index</b>	16.09	0.22	1.39%	-9.35%

Data sources: WSJ.com; Bloomberg.com; MSCI, Inc.; Russell Investments; U.S. Treasury Dept.; CBOE; CME Group.



	One Week			YTD		
	Value	Growth		Value	Growth	
L	-0.65%	0.33%	1.34%	5.10%	6.38%	7.72%
	-0.10%	0.35%	0.80%	7.24%	9.41%	11.73%
S	1.08%	1.49%	1.91%	5.49%	8.80%	12.08%

Source: Bloomberg.com

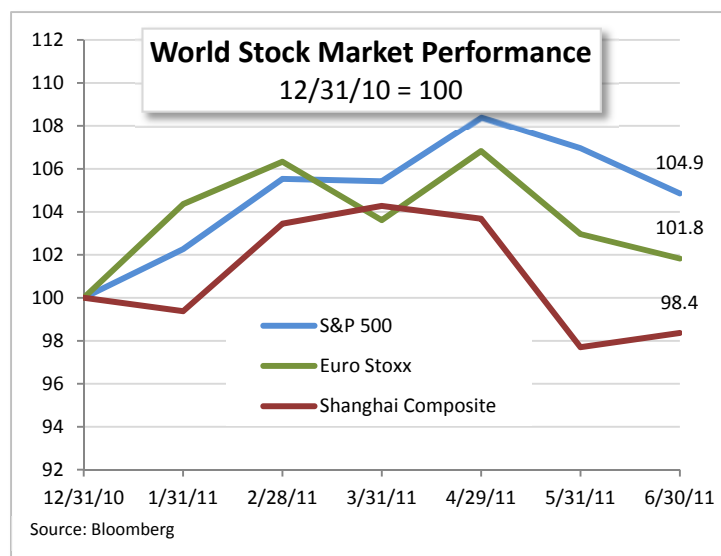
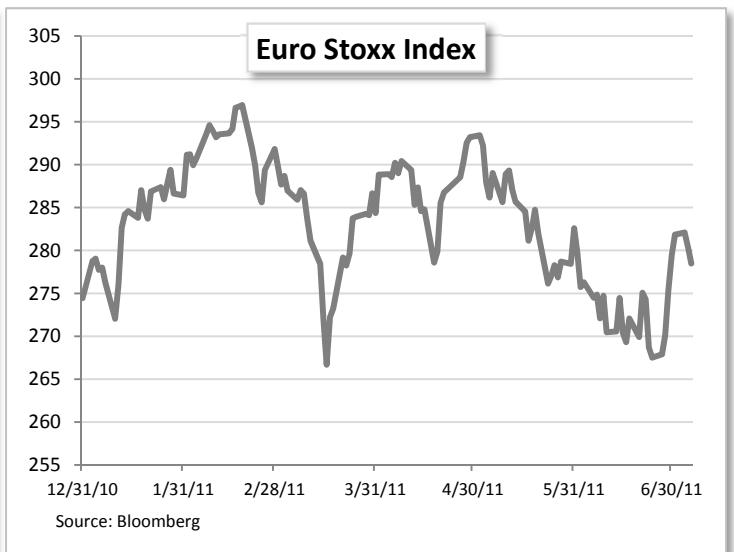
## Weekly Highlights

- **Equities** were mixed on the week. Small caps outperformed large caps; growth oriented issues outperformed value stocks; and domestic stocks outperformed European markets. Asian markets rallied.
- **Treasury** prices rallied, and yields plummeted, as U.S. employment data disappointed the market. The yield on the 10-year T-note sank to 3.02%. Corporate bond yields also declined.
- **Commodities** prices generally rose; crude oil advanced, closing at \$96 per barrel; gold surged in the wake of the employment report, settling at \$1,543.
- **The dollar** advanced slightly against major currencies.
- **Economic data** released this week was mixed prior to today, when the Labor Department reported extremely weak employment data for June.

## EQUITIES

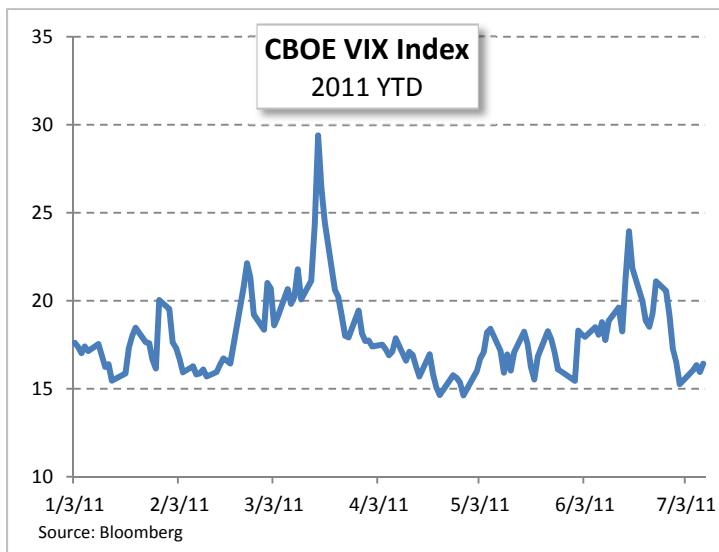
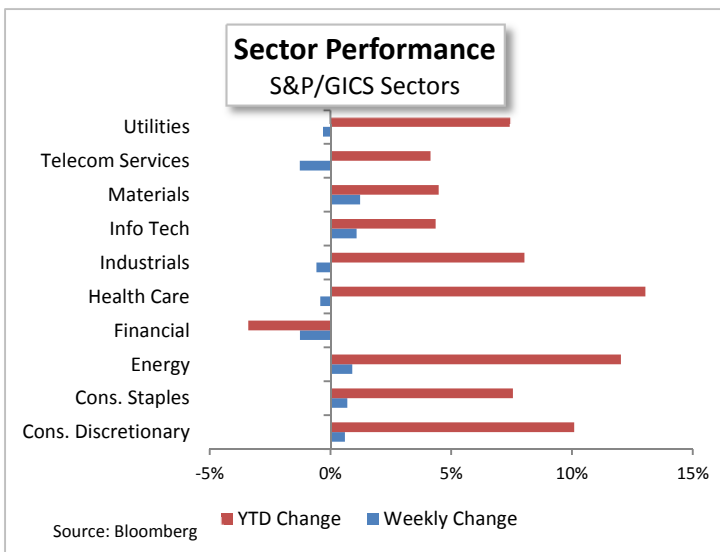
Stocks dropped sharply today due to disappointing employment data, but the major market indices still managed to close the week with a gain. Through Thursday, stocks had extended the gains made last week based on positive retail sales data and encouraging signs regarding the debt ceiling negotiations, and were within striking distance of new highs for the year. But today's reversal is indicative of how investors perceive the recovery as being one that will be slow until the employment situation begins to show improvement.

For the week, the S&P 500 Stock Index ended up 0.3% to close at 1,343.80. The Dow Jones Industrial Average also posted gains, closing the week at 12,657.20, an advance of 0.6% from last week's close. The major indices had climbed about 6.5% in the past two weeks up until today's action. There was much variability in performance this week, with smaller and more growth oriented stocks outperforming larger, value-biased issues. This dispersion in performance indicates a willingness on the part of investors to assume more risk in their portfolios.



World equity markets were also mixed. European stocks performed poorly, in part because of the U.S. employment data, but also on fears that the crisis involving Greek sovereign debt may engulf other countries such as Portugal and Italy. However, European stocks benefited in the middle of the week from the European Central Bank’s decision to suspend collateral requirements for Portugal’s debt, which heartened investors. The Euro Stoxx Index declined 2.3% on the week. Many Asian markets advanced on the week. The Shanghai Composite Index gained 1.4%. On Wednesday, China raised its benchmark lending rates by 0.25%, the third such increase this year, as the Chinese government continues its attempts to rein in inflation. China is now the world’s second-largest economy, and is a primary driver of global growth with the U.S. and Europe mired in sluggish recoveries.

Sector performance was also mixed for the week. The best-performing sectors on a relative basis were materials, information technology and energy. The sectors that lagged were financials, telecommunications services and industrials. On a year-to-date basis, all sectors remain in the black, with the exception of financials.

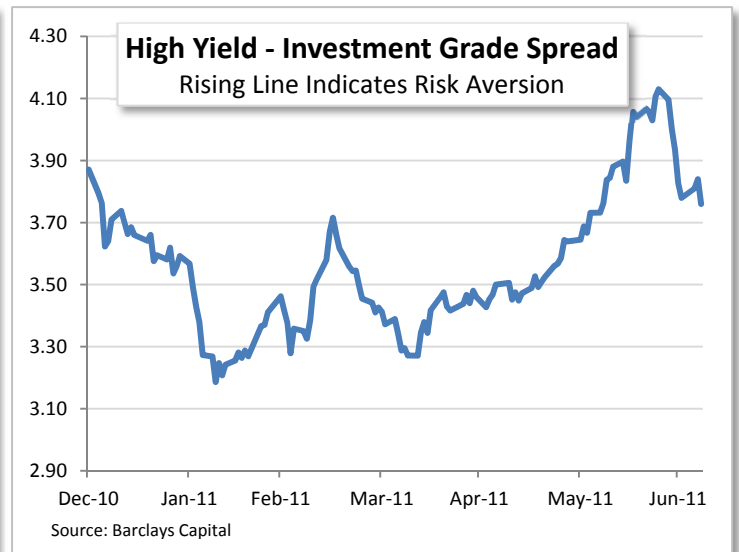
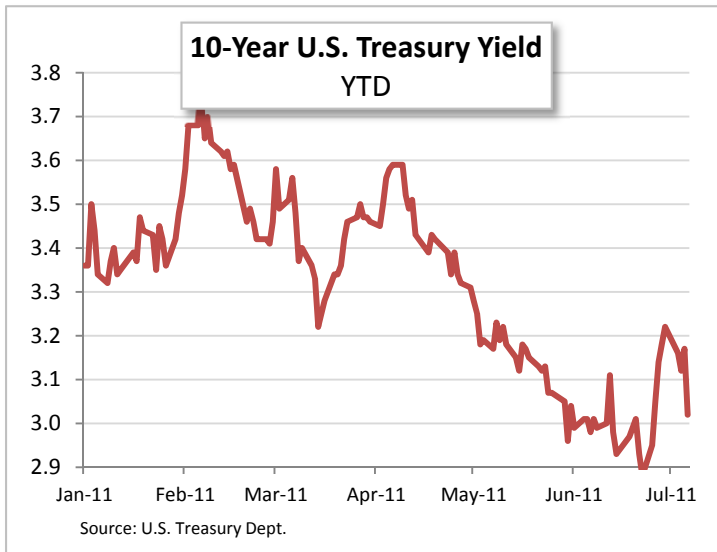


Stock market volatility rose this week along with the uncertainty in the market. The Chicago Board Options Exchange’s volatility index (VIX) rose about 1.4% this week to close at approximately 16.09. On a year-to-date basis the VIX is now down approximately 9.4%.

## INTEREST RATES

Prices of U.S. Treasury securities surged this week, as disappointing U.S. employment data caused investors to be concerned about the health of the economy. Investors had been selling Treasuries earlier in the week in the expectation that the employment report would corroborate jobless claims and ADP data which indicated that the jobs situation was improving, and that the economy may be emerging from its sluggish performance. Adding to the selling of Treasuries early in the week was the belief by many bond investors that the euro zone problems seemed to be under control. The yield on the benchmark 10-year U.S. Treasury closed today priced to yield 3.02%, down 20 basis points from last week's closing yield of 3.22%. It has been quite a roller coaster ride for Treasuries, as yields bottomed out two weeks ago at about 2.87% before rocketing up to 3.22% last week, and then back down to its present level this week. Such volatility indicates there is a great deal of uncertainty over the direction of the U.S. economy. There has been speculation that the Federal Reserve may embark on a third round of quantitative easing, but most analysts believe the political obstacles to initiating such a program are too high, particularly since there is much debate over the effectiveness of the previous programs.

Investment grade corporate bond prices also gained on the week. The yield on the Barclays Capital U.S. Corporate Bond Index declined approximately eight basis points to about 3.79% from 3.87% a week ago. Yields on high yield bonds also declined this week, as investors have generally been more willing to accept risk in their portfolios. The yield on the Barclays Capital U.S. Corporate High Yield Index declined eight basis points, from 7.65% last week to 7.57% this week.



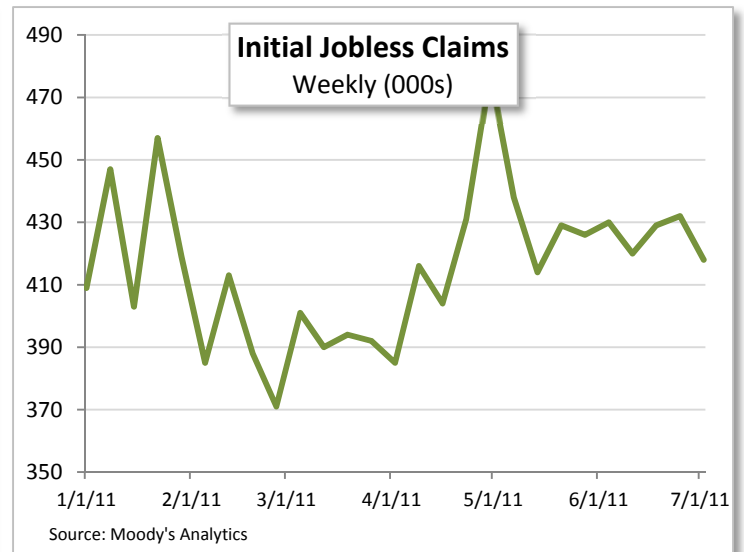
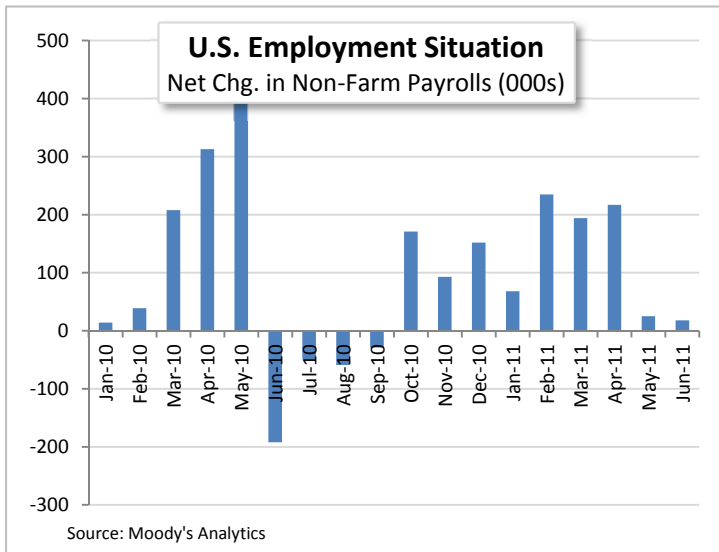
## THE ECONOMY

In this week's economic releases, employment data gave off conflicting signals, with today's payrolls number showing very anemic job growth, while jobless claims and ADP data suggested an improving jobs situation. Also, crude oil inventories declined, as did an index of nonmanufacturing services.

### *Employment data was disappointing*

The Labor Department reported this morning that only 18,000 jobs were added in June, a big disappointment that fell far below consensus expectations of 88,000 jobs. At the same time, the unemployment rate increased to 9.2%, the highest level of the year. In terms of components, manufacturing showed improvement, but

private sector service gains were very weak. Adding insult to injury, not only were the June numbers disappointingly weak, but the results from the prior two months were also revised downward by a total of 44,000 jobs. Analysts had been expecting a much better report today, following yesterday's report from payroll-processing firm ADP showing an uptick in employment. Analysts speculate that the reasons for the poor report may be employers' concerns over the pace of the global recovery and the political uncertainty revolving around the budget and debt-ceiling discussions. Many economists have now revised downward their expectations for employment gains for the remainder of the year, and now expect that material gains may not be made until 2012.



**Jobless claims showed minor improvement**

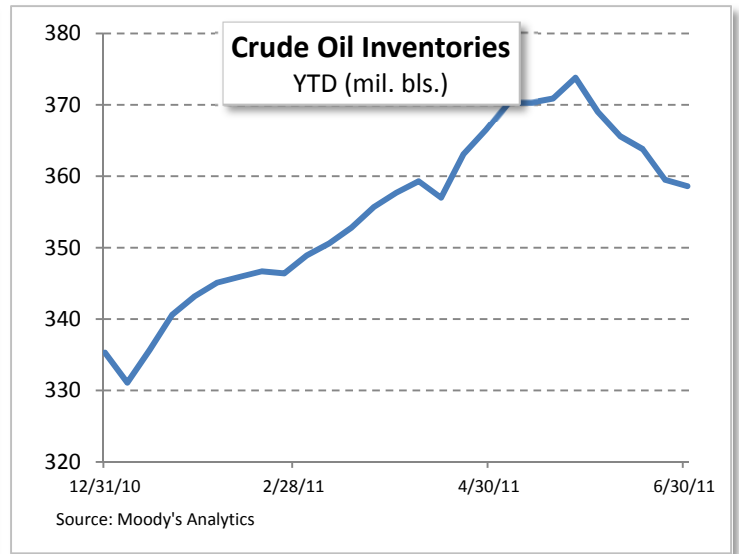
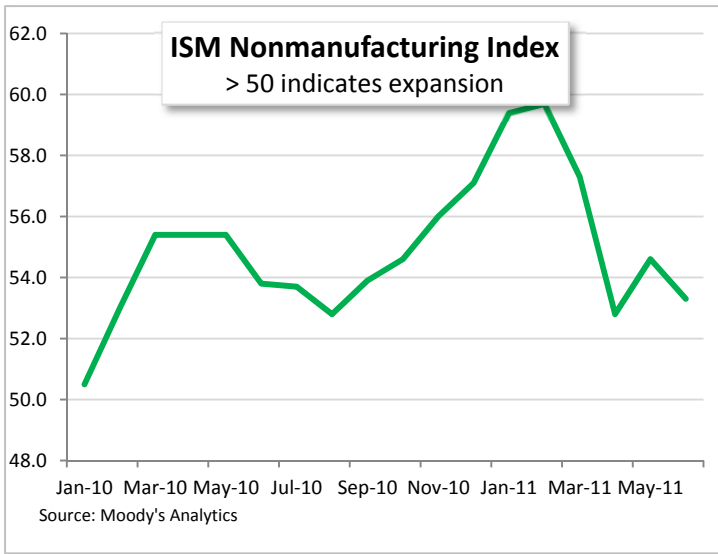
Also on the employment front, the Labor Department reported on Thursday that jobless claims declined by 14,000 to 418,000 for the week ending July 2. Economists are encouraged by the positive movement in the data, but also caution that more sustained improvement will be necessary for the economy to gain momentum. In another indication that hiring may be picking up, check- and payroll-processing company ADP reported on Thursday that the private sector added a greater-than-expected 157,000 jobs in June.

**Crude oil inventories declined less than expected**

The Energy Department reported this week that crude oil inventories declined by 900,000 barrels in the latest week, less than the expected decline of 2.5 million barrels. Combined with data showing increased demand for both crude and gasoline, the reduced inventories support the prospect of higher oil prices. Oil analysts estimate that crude is now trading at close to its fundamental value, given supply, demand and the level of the dollar. One factor that may affect the fundamental value would be if Saudi Arabia does not boost production enough to offset the amount lost due to the Libyan situation.

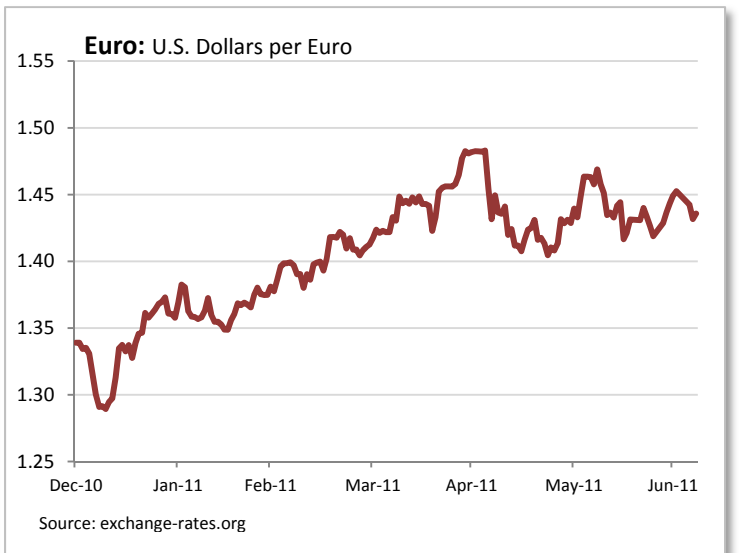
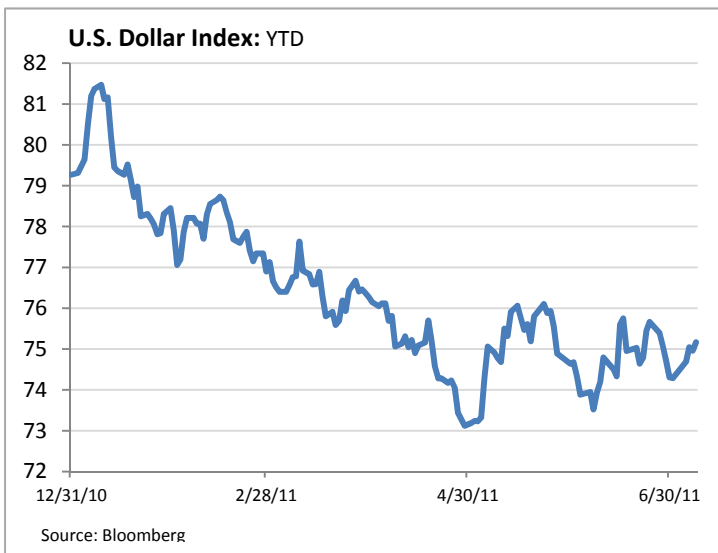
**Nonmanufacturing services declined in June**

The Institute for Supply Management reported this week that its Nonmanufacturing Index declined a greater than expected 1.3 points to 53.3 in June. It is the third time in the past four months that the index has declined. An index level above 50 indicates expansion, so while the sector is growing, it is simply limping along heading into the third quarter.



## CURRENCIES

The dollar rose moderately this week, and was buffeted by conflicting forces. On the one hand, earlier in the week investors sought the safety of the dollar as concerns crept into the market that Italy may be the next to be engulfed in the euro zone sovereign debt crisis. However, the dollar's gains were pared this morning on the disappointing jobs data, which suggested the U.S. economy remains mired in a "soft patch."



## COMMODITIES

Commodities prices generally built on last week's gains, closing higher on the week. The Dow Jones-UBS Commodity Index gained approximately 2.5% for the week to close at 160.83. For the year, the index is down about 1%. Crude oil prices tumbled today on the disappointing U.S. employment report, which would indicate that the economy has slowed and that demand for oil is likely to decline in such an environment. Despite today's plunge, the August contract for light sweet crude settled the week at \$96.38, up about 1.8%. The employment report had the opposite effect on precious metals prices, which rallied on today and posted solid

gains for the week. Gold surged as investors sought safe-haven assets due to lingering concerns about the health of the U.S. economy. Metals analysts believe that gold is in a trading range of \$1,480-\$1,560, and that a decisive breakout to the upside could mean further gains ahead. The August contract for gold settled at \$1,543.6 per ounce, up about 3.8% on the week.

**Next Week's Economic Calendar**

	<b>Economic Report</b>
Tuesday	FOMC Minutes
Wednesday	Treasury Budget
Thursday	Jobless Claims
	Producer Price Index
Friday	Consumer Price Index
	Univ. of Michigan Consumer Sentiment Survey

Source: Moody's Analytics

Brandon Thomas  
*Managing Director*  
*Chief Investment Officer*

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