

## Economic Update

Non-farm payrolls fell by 125,000 in June, marking the first decrease in jobs this year. This can be largely attributed to the 225,000 government workers whose temporary 2010 census jobs recently ended. The unemployment rate remains high, but the 9.5% rate is a slight improvement over last month. The overall employment report was disappointing, suggesting that the softening labor market could continue to experience weakness in the near future.

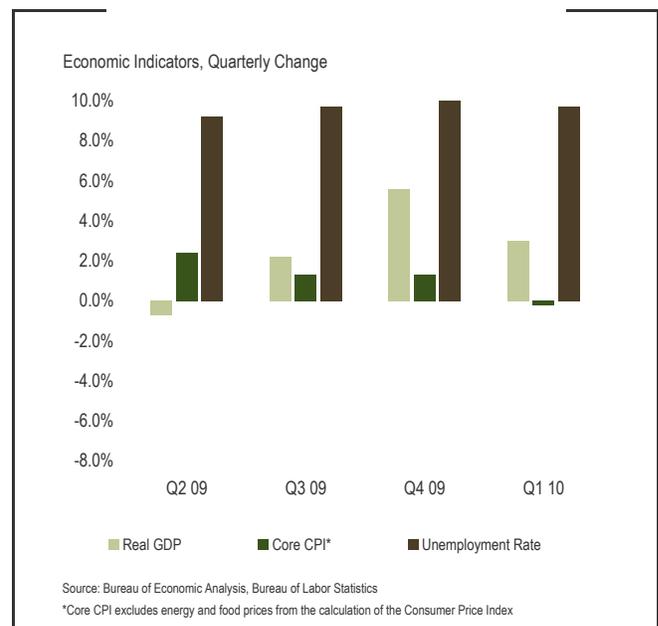
Consumers' appraisal of the jobs market has guided consumer sentiment in recent months. The Conference Board Consumer Confidence Index unexpectedly pulled back in June. The significant decline in confidence was attributed to increased concern about the economic outlook and labor market, according to Director of The Conference Board Consumer Research Center Lynn Franco.

The Bureau of Economic Analysis announced Monday that personal income increased 0.4% in May. Personal consumption expenditures increased 0.2% for the month, up 0.3% when adjusting for inflation. Personal spending, as a percentage of disposable personal income, edged higher in May to 4.0%, the highest rate since September 2009. The increase marked the second consecutive month of a rising savings rate, an indication that consumers are still focused on deleveraging their personal balance sheets.

The S&P/Case-Shiller Home Price Indices, released on Tuesday with data through April, reflected further improvements in annual growth rates for both the 20-City and 10-City Composites. Separately, the National Association of Realtors (NAR) reported that the Pending Homes Sales Index, which serves as an indicator of housing activity, declined significantly in May and is currently 15.9% below the level in May 2009.

On Thursday, the Institute for Supply Management (ISM) announced that business activity within the manufacturing sector decelerated in June. The Purchasing Managers Index (PMI) declined 3.5 points to a reading of 56.2%, marking the slowest rate of expansion in the sector this year.

Source: Bureau of Economic Analysis, U.S. Department of Commerce, Federal Reserve Banks, U.S. Department of Labor, U.S. Department of Commerce, The Conference Board, Thomson Reuters, the National Association of Realtors, The Wall Street Journal.



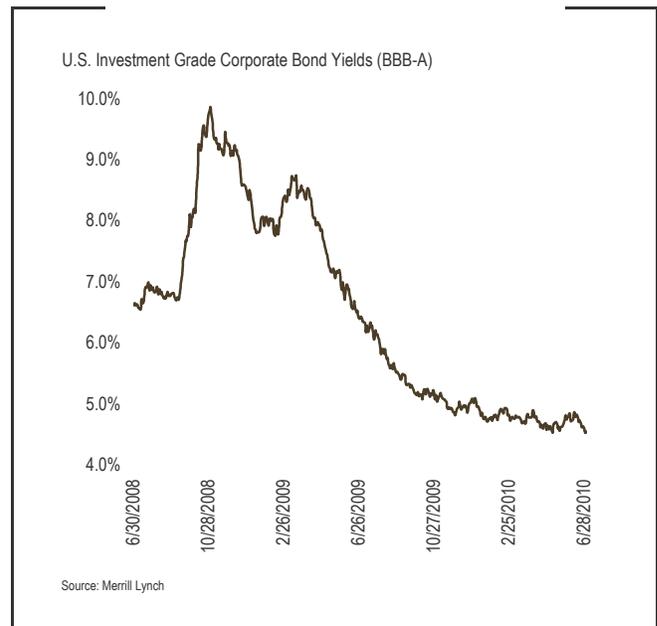
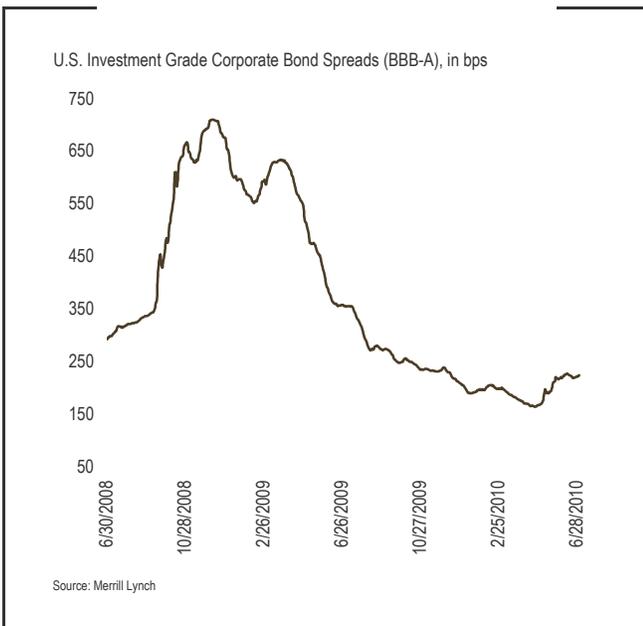
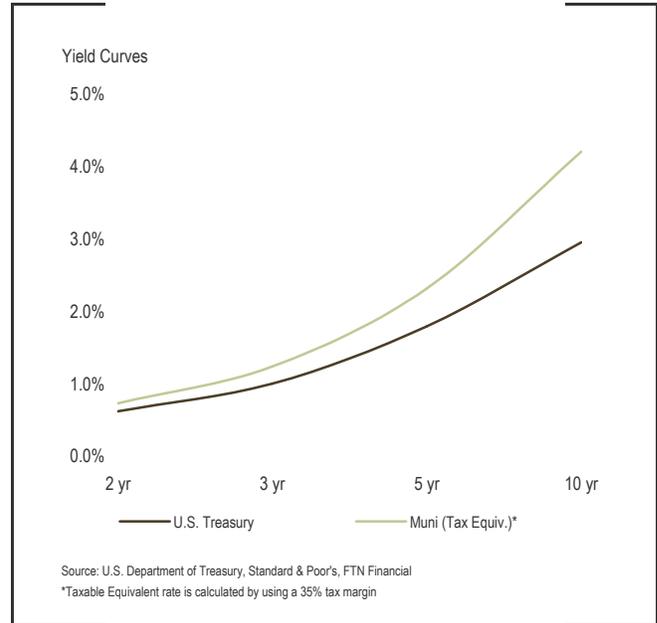
June 29 <sup>th</sup>	ICSC-Goldman Same Store Sales, Wkly. Chg.	2.1%
June 29 <sup>th</sup>	Consumer Confidence Index, June	52.9
June 29 <sup>th</sup>	State Street Investor Confidence Index, June	89.7
June 30 <sup>th</sup>	MBA Purchase Applications Index, Wkly. Chg.	-3.3%
June 30 <sup>th</sup>	Chicago PMI Business Barometer Index, June	59.1
June 30 <sup>th</sup>	EIA Petroleum Status Report, Wkly. Chg.	-2.0M Barrels
July 1 <sup>st</sup>	Domestic Motor Vehicle Sales, June	8.4M
July 1 <sup>st</sup>	Announced Layoffs, June	39,358
July 1 <sup>st</sup>	Initial Jobless Claims ( Week ending 6/26)	472,000
July 1 <sup>st</sup>	ISM Mfg. Index - Level, June	56.2
July 1 <sup>st</sup>	Construction Spending, May Monthly Chg.	-0.2%
July 1 <sup>st</sup>	Pending Home Sales, May Monthly Chg.	-30.0%
July 1 <sup>st</sup>	EIA Natural Gas Report, Wkly. Chg.	60 bcf
July 2 <sup>nd</sup>	Non-farm Payrolls, June Monthly Chg.	-125,000
July 2 <sup>nd</sup>	Unemployment Rate, June	9.5%
July 2 <sup>nd</sup>	Factory Orders, May Monthly Chg.	-1.4%

Bond Market Update

Mostly negative economic data released this week continued to push Treasury prices higher and yields lower. For the majority of the week, the yield curve flattened as the spreads between long-dated Treasuries and short-dated notes narrowed. With investors leaving the stock market and short-dated yields near zero, investors have increasingly bought long dated securities driving yields lower. On Friday, investors demanded extra yield to hold 10-year notes for the first time this week on the heels of a slightly positive employment report. Several key lows were established this week. Yields on 2-year notes fell to 0.59% early in the week, the lowest level on record declining for the third week in a row. Mid-week, 10-year yields dropped to the lowest level in 14 months and 30-year yields broke below 4% for the first time since October. The debt issues surrounding the U.S. are perceived to be of bigger importance further down the road resulting in domestic Treasuries still acting as the primary flight to quality trade. The Treasury Department announced another \$72 billion in sales for next week, including 3- and 6-month T-bills and 10-year TIPS. The SEC announced an investigation into several firms' marketing of "principal-protected" notes after investors lost nearly \$1 billion when Lehman Brothers collapsed. Government-backed mortgage bonds, at the epicenter of the financials crisis, continue to be in high demand. The 30-year fixed-rate mortgage tumbled to 4.58%, which is typically good news in that it allows investors to refinance.

Issue	6.25.10	7.2.10	Change
3 month T-Bill	0.13%	0.17%	0.04%
2-Year Treasury	0.65%	0.63%	-0.02%
5-Year Treasury	1.90%	1.80%	-0.10%
10-Year Treasury	3.12%	2.96%	-0.16%
30-Year Treasury	4.07%	3.88%	-0.19%

Source: Bloomberg, FTN Financial, The Wall Street Journal, U.S. Department of Treasury.



Stock Market Update

Stocks dropped this week on economic data that indicated that the global economic recovery may be losing momentum pushing the S&P 500 to new lows for the year.

On Tuesday, the S&P 500 dropped 3.10% when U.S. and European stocks reacted to a slump in Chinese markets after a Chinese economic growth indicator was revised downward, according to the Wall Street Journal. The slide in global stocks continued Wednesday and Thursday as investors were disappointed by weak pending-home sales and a rise in new unemployment claims. Heading into the holiday weekend, the S&P 500 is down 8.3% in 2010.

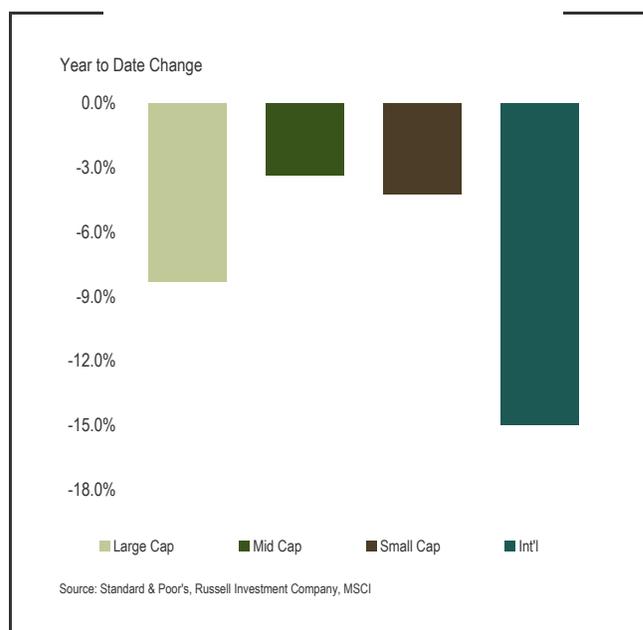
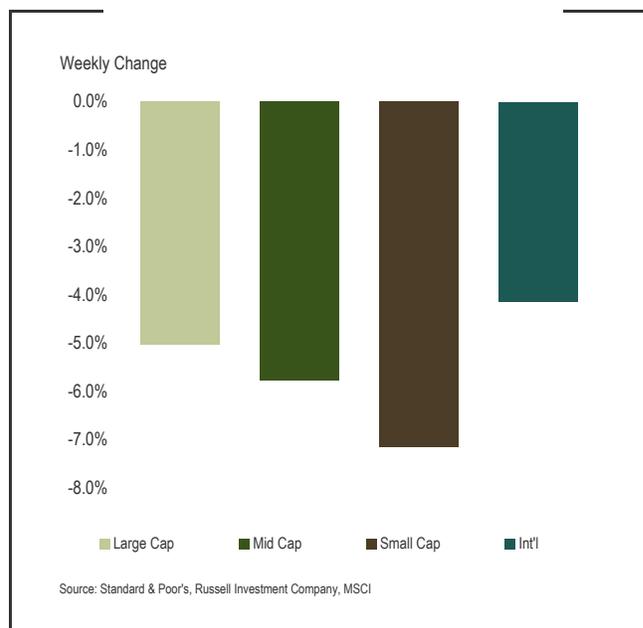
Google (GOOG) announced plans to put its mark on the travel business with a \$700 million purchase of travel company ITA Software. Google plans to improve the way users find flight and fare information and will compete with the travel search capabilities offered by Microsoft's (MSFT) Bing search engine.

Shares of BP Plc (ADR: BP) gained nearly 8% this week as Hurricane Alex missed the spill site to the south. Had the hurricane turned northward and hit the spill site, containment efforts would have been halted, allowing oil to spill into the gulf at a higher rate.

Apple Inc. (AAPL) announced it sold over 1.7 million of its new iPhone 4 in just three days, making it "the most successful product launch in Apple's history," according to Apple CEO, Steve Jobs. However, reports that holding the phone in certain ways can diminish signal strength have caused the stock to lose over 8% this week, greater than loss of the overall market.

Issue	6.25.10	7.2.10	Change
Dow Jones	10,143.81	9,686.48	-4.51%
S&P 500	1,076.76	1,022.58	-5.03%
NASDAQ	2,223.48	2,091.79	-5.92%
Russell 1000 Growth	479.83	457.77	-4.60%
S&P MidCap 400	745.27	702.29	-5.77%
Russell 2000	645.11	598.97	-7.15%
MSCI EAFE	1,395.48	1,337.85	-4.13%
MSCI EM	952.13	909.30	-4.50%
MSCI Small Cap	135.36	129.58	-4.27%

Prices reflect most recent data available at the time of publication  
Source: Bloomberg, Russell Investment Company, Standard & Poor's, Morgan Stanley Capital International, The Wall Street Journal, MarketWatch.



Alternative Investments Market Update

Crude oil fell for the fifth day in a row on Friday as investors reacted to the U.S. government's announcement regarding the first drop in employment this year. The negative sentiment was also fueled by a poor manufacturing report that showed factory orders dropping 1.4% in May, a decline more than double the consensus estimate. Futures prices bottomed out at \$71.62, the lowest level in nearly a month, as oil fell over 8.5% on the week. Some analysts predict that crude oil prices could eventually be pushed higher by the aftereffects of the BP oil spill disaster, citing increased costs, new regulations, and delayed production as some of the factors that are likely to inflate the price of the commodity.

Gold futures lost nearly \$40 on Thursday after poor economic data sent investors seeking U.S. Treasuries for their perceived safety. Prices stabilized on Friday after poor employment reports increased the number of investors using the commodity as a defensive strategy, although the relatively flat performance did little to erase the 3.5% loss for the week.

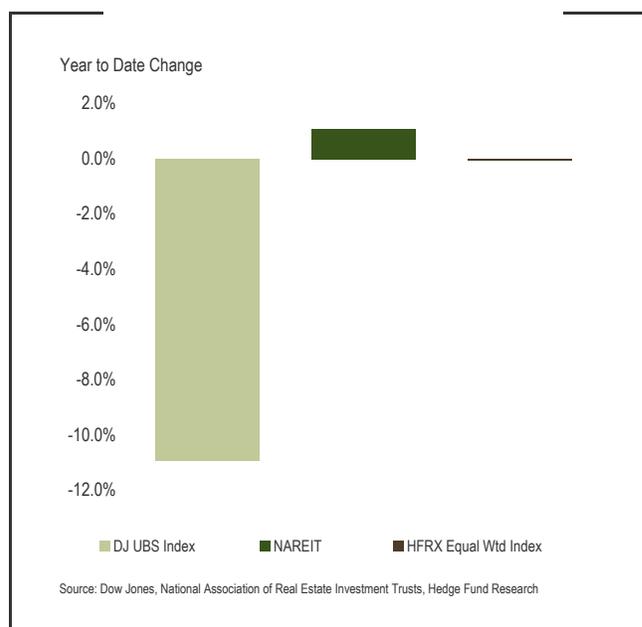
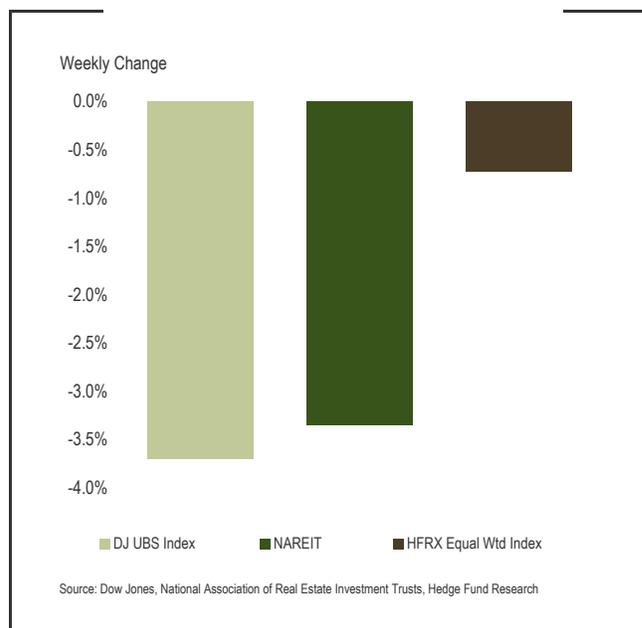
Raw sugar had a strong rally at the end of the week on speculation that Russian demand will spike following the nation's lowering of its import tax. The duty on sugar was cut by 15%, sending prices up 1.9% for the week. Bullish investors have predicted that sugar prices could rise as high as 30% this year on higher demand, lower yields, and transportation delays.

Fortress Investment Group LLP, a New York private-equity firm, made acquisitions this week to take advantage of an undervalued commercial real-estate market. The firm announced on Thursday that it closed deals with CW Financial Services, a large servicer of commercial mortgage-backed securities, and daVinci Holdings K.K., a Japanese real-estate firm that is prominent yet struggling. The acquisitions were relatively small, but point to investors seeking opportunities in the depressed commercial-property markets worldwide.

Issue	Previous Week	Current <sup>1</sup>	Change
Gold	1,254.80	1,211.30	-3.47%
Crude Oil Futures	79.01	72.23	-8.58%
Copper	310.20	293.25	-5.46%
Sugar	16.39	16.70	1.89%
HFRX Equal Wtd. Strat. Index	1,119.33	1,111.26	-0.72%
HFRX Equity Hedge Index	1,108.88	1,096.21	-1.14%
HFRX Equity Market Neutral	1,012.79	1,003.96	-0.87%
HFRX Event Driven	1,344.68	1,338.13	-0.49%
HFRX Merger Arbitrage	1,456.88	1,445.35	-0.79%
Dow Jones UBS Commodity Index	128.75	123.99	-3.70%
FTSE/NAREIT All REIT	117.49	113.56	-3.34%

<sup>1</sup> Prices reflect most recent data available at the time of publication

Source: Dow Jones, National Association of Real Estate Investment Trusts, Hedge Fund Research, Bloomberg, The Wall Street Journal, The International Monetary Fund.



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