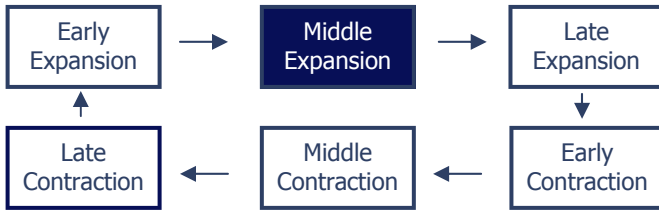




### CURRENT ECONOMIC CYCLE



### ECONOMIC NEWS

- After several months of better than expected retail sales, consumer spending dropped in May...but the trend remains positive.
- The jobs report for May was a major disappointment with only 41,000 new private sector jobs created, after the temporary census workers were factored out.

### CURRENT ASSET CLASS ALLOCATIONS

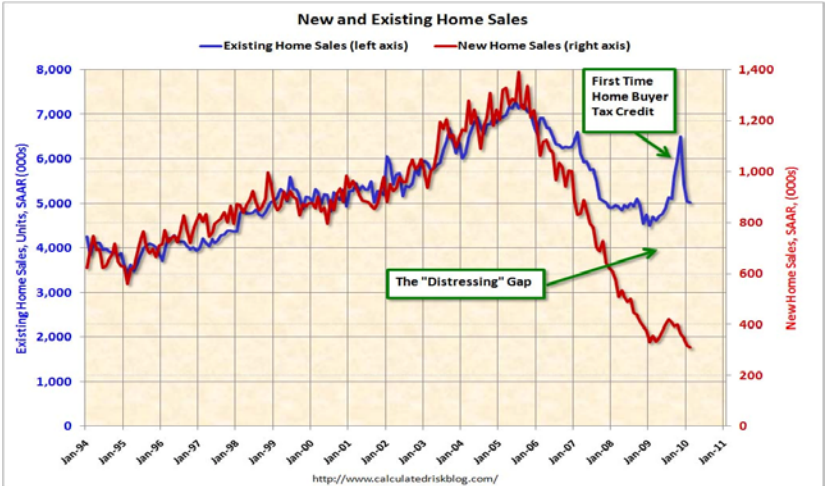
Cash & Equivalents	<i>Underweight</i>
Fixed Income	<i>Looking to Underweight</i>
Equities	<i>Looking to Over Weight</i>

### MARKET TRENDS

- In May, the S&P 500 dropped over 8% as concerns over the possibility of sovereign debt defaults in Europe grew.
- The pullback continued in June, with the market down almost 14% from the April highs...leading to a debate as to whether this is just a correction or the beginning of a new "Bear market".
- Another debate continues over the slowdown in the Chinese economy...proactive slowing or something more.



The chart of the S&P 500 shows that we have been in a down-trend for the last two months. A key test for the market is the 1050 level since it is also the low for February. As long as buyers provide support at this level, this remains a correction.



Residential real estate was the trigger for the last recession as the speculative bubble burst. The government has attempted to stabilize housing prices and stimulate new sales by offering a first time home buyer credit. Now that it has expired, it appears that sales are not as strong.

### CURRENT THOUGHTS

When you experience a recession that is not a traditional business cycle, but is caused by a bubble that reveals weaknesses in the financial system, the recovery time will be extended. The system has to be repaired and the confidence of both the consumer and business sector has to return. Consequently, it is not uncommon to see reports that appear to send mixed messages about how our economy is doing. As a result, there is sufficient ammunition to arm both sides of the debate...are we going to have a sustainable expansion or are we going to have a double dip recession? We believe that the current economic data favors continued growth, but at a very moderate rate. The recent correction in the market has added fuel to the debate, but what began as a normal pullback has been exaggerated by fears over the situation in Europe.

*The purpose of update is to share some of our current views and research. Although we make every effort to be accurate in our content, data are derived from other sources. While we believe these sources to be reliable, we cannot guarantee their validity.*