

Stocks lost ground in the 2nd quarter amid concerns about the debt crisis in Europe and a weakening employment picture here in the U.S. Government reports showed payrolls expanded by only 77,000 in April and 69,000 in May. These reports marked the first time since last August that the economy failed to add at least 100,000 in a month and were down significantly from the 275,000 jobs added in January of this year.

The S&P 500 posted a loss of 2.75% for the quarter, giving back some of its gains from the first quarter. Large cap domestic stocks held up well in comparison to other equity indexes though, as both small caps and international indices underperformed the S&P 500. Bonds posted very strong returns as interest rates dropped sharply during the quarter.

More conservative sectors of the equity market held up best in the 2nd quarter. Telecommunications and Utilities were the best performing sectors, after being the worst performing sectors in the first quarter. Healthcare and Consumer Staples stocks also outperformed the overall market. Financials, Energy, and Technology were the worst performers for the quarter.

The pull back in the market, combined with solid corporate earnings growth leaves equity valuations at attractive levels. With the S&P 500 trading at just 13 times trailing earnings and offering a dividend yield now higher than the 10 year treasury yield, we expect a considerable amount of money on the sidelines to move back into equities as the year progresses.

Return of Various Market Indices				Data as of: June-2012 [periods > 1 year annualized]				S&P 500 Economic Sector Returns		
Index	Last Month	Last Quarter	Year-to-Date	1 Year	3 Year	5 year	10 Year	Wgt.	Sector	YTD Return
3-Mo US T-Bills (Cash)	0.00%	0.01%	0.02%	0.03%	0.08%	0.79%	1.72%	3.2%	Telecomm	16.51%
Barclays 1-3 Year Gov't Bonds	-0.03%	0.20%	0.18%	0.86%	1.69%	3.40%	3.14%	14.4%	Financial	13.72%
Barclays Gov't/Corp Bonds	-0.08%	2.60%	2.52%	8.78%	7.29%	6.84%	5.75%	19.7%	Info Technology	13.34%
Dow Jones Industrial Average	4.05%	-1.85%	6.83%	6.63%	18.25%	2.00%	6.02%	11.0%	Consumer Discr.	12.95%
DJ Wilshire 5000	3.92%	-3.21%	9.45%	3.78%	16.84%	0.63%	6.16%	12.0%	Health Care	10.97%
S&P 500 Composite	4.12%	-2.75%	9.49%	5.45%	16.40%	0.22%	5.33%	11.3%	Consumer Staple	8.57%
S&P/Citigroup Growth	3.64%	-2.05%	9.97%	7.76%	17.45%	3.04%	5.77%	10.5%	Industrial	7.35%
S&P/Citigroup Value	4.71%	-3.58%	8.92%	3.00%	15.32%	-2.68%	4.79%	3.4%	Materials	6.53%
S&P 500 Utilities Sector	4.05%	6.55%	4.82%	15.26%	14.71%	2.93%	8.58%	3.7%	Utility	4.82%
Russell 2000 (Smallcap Stocks)	4.99%	-3.47%	8.53%	-2.08%	17.80%	0.54%	7.00%	10.8%	Energy	-2.34%
MSCI EAFE (Int'l Stocks)	7.05%	-6.85%	3.38%	-13.38%	6.45%	-5.63%	5.62%	100%	S&P 500	9.49%