

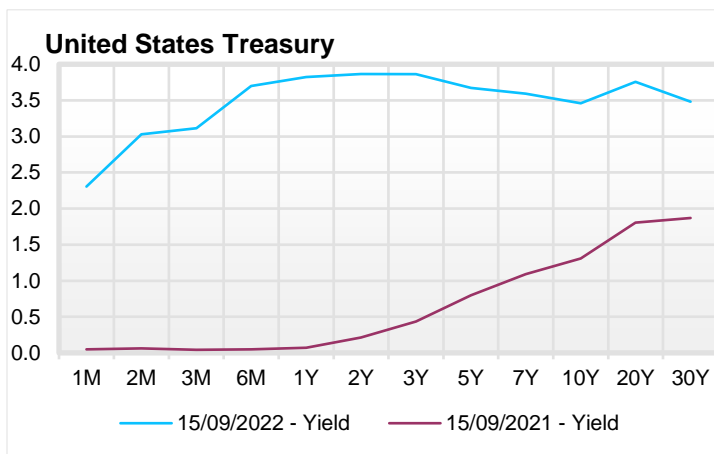
Economic Outlook

S&P's Services Purchasing Managers Index came in at 43.6 for August, approximately the same as July's level. ISM's Non-Manufacturing Index came in quite a bit higher for August, at 56.9. Consumer Prices were up only 0.1% for August, however still up 8.3% year over year. Core CPI (excluding Food and Energy) for August was up 0.6% for the month. Producer Prices were actually down 0.1% for August, after having been down 0.4% for July. Retail Sales were up 0.3% in August after having been up 0.4% in July. Industrial Production was down 0.2% for August, and Capacity Utilization remained a high 80.0%.

Fixed Income

The U.S. Treasury Yield Curve remains inverted, with the 10-year yield trading at 3.44%, 43 basis points below the 2-year yield of 3.86%. The yields are up fairly dramatically over the past two weeks. There are also reports that the inversion of the U.S. Treasury Yield Curve is the steepest inversion this century. Federal Reserve Governors have been guiding for a 75 basis point interest rate increase at this September's meeting. The Federal Reserve Open Market Committee has said in the past, that to slow down inflation, they will need to eventually need to raise rates above the inflation rate. What that rate will be in the next several months remains to be seen. The resistance lines for the 10-year U.S. Treasury Yield tighten up just over 4%, which might represent a near-term limit on mid-maturity rates.

Yield Curve



Current Generic Bond Yields

	Treasuries	Agencies	Corporates	Municipals
3 Mo.	3.17%	3.88%	3.57%	2.37%
6 Mo	3.83%	3.92%	3.68%	2.38%
1 Yr	4.01%	3.99%	3.89%	2.47%
2 Yr	3.92%	4.03%	4.04%	2.51%
5 Yr	3.67%	3.91%	4.20%	2.71%
10 Yr	3.47%	3.78%	4.44%	3.17%
30 Yr	3.52%		4.77%	4.01%

Equity

US Equity remains negative month-to-date with the S&P 500 falling roughly -1.28%. No single factor seems to be the big directional driver for the negative return though the path of least resistance seems to continue downwards with CPI coming in hotter than expected. Earnings estimates continue to hold fairly strong, and the peak inflation narrative remains, though the potential for a "soft-landing" seems to have narrowed as a 75bps seems likely in the horizon.

Month-to-date, Consumer Discretionary (+2.39%), Health Care (+2.44%), and Financials (+0.94%) lead the charge as Energy (+47.14%) and Utilities (+5.80%) are the only sectors positive year-to-date. Communication Services (-31.77%) and Technology (-25.21%) continue to struggle the most.

Index Returns	YTD
Dow Jones Industrials	-13.50%
S&P 500 (LCap)	-17.24%
S&P 400 (MCAp)	-15.10%
Russell 2000 (SCap)	-18.71%
NASDAQ Composite	-26.16%
MSCI EAFE (Intl)	-20.86%
Real Estate	-20.48%