



Monthly economic update



Candor. Insight. Results.

August 5, 2011

Economic indicators

GDP growth	-	<ul style="list-style-type: none"> > In the Commerce Department's first estimate, 2nd quarter GDP was reported at 1.3% growth. Negative growth was seen most significantly in consumer spending on durable goods, and state and local government spending. > A revision to 1st quarter GDP was made that dropped the 1st quarter growth rate to 0.4%.
Inflation	+ -	<ul style="list-style-type: none"> > CPI decreased by 0.2% in June from a month earlier and 12 month CPI held steady at 3.6%. The gasoline index dropped 6.8% during the month. > Core CPI (CPI – food and energy) increased by 0.3% in June, from a month prior, and the annual rate increased slightly to 1.6%.
Spending	+ -	<ul style="list-style-type: none"> > Retail sales rose by 0.1% in June and are up 8.1% from a year ago. > Consumer spending dropped 0.2% in June. This was the first decline in 20 months. Personal incomes increased by 0.1%. > The savings rate increased to 5.4% in June as spending decreased. (Commerce Department)
Job growth	+ -	<ul style="list-style-type: none"> > Nonfarm payrolls were better than expected and rose by 117,000 in July, with the private sector gaining 154,000 jobs. > The unemployment rate fell from 9.2% to 9.1%.
Manufacturing	+ -	<ul style="list-style-type: none"> > July reading came in below expectations and dropped from 55.3 to 50.9. The sector is still in expansion (above 50), but has fallen from a reading of 60 in the past 3 months. (Institute of Supply Management)
Consumer confidence	+ -	<ul style="list-style-type: none"> > The consumer confidence index rose slightly in July from 58.5 to 59.5. The Expectations index showed the biggest increase for the month. (The Conference Board) > University of Michigan/Reuters consumer-sentiment index fell sharply in July to a reading of 63.7 from 71.5. This is the lowest level since early 2009.
Housing	-	<ul style="list-style-type: none"> > The 20 city Case-Shiller Index (home-price readings) rose 1.0% in May from a month prior, but is still down 4.5% from a year ago. Both the 10 and 20 city indexes have now shown two consecutive months of price increases. > Existing home sales fell by 0.8% in June from a month earlier. The median sales price of \$184,300 is slightly higher than a year ago. > New home sales fell 1.0% in June from a month ago, which is the second drop in a row.

 = Baker Tilly revised view downward

July saw uncertainty as the federal government worked to overcome partisan differences and pass debt ceiling legislation prior to the August 2 deadline.

Overall, most indicators remain neutral with some good and some bad news. However, Baker Tilly Investment Advisors revised its view one notch lower for gross domestic product (GDP) and Manufacturing after slowdowns in both indicators.

Job creation and unemployment were bright spots, with the unemployment rate falling to 9.1% and job growth at 117,000. The June job growth estimate was also revised up from 18,000 to 46,000.

Economic growth continues to be slow. Some economists believe a second recession is possible, if global conditions do not improve.

We welcome the opportunity to discuss how we can help you meet your goals.

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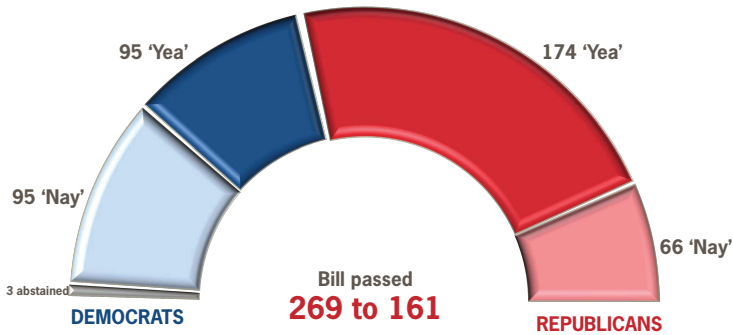
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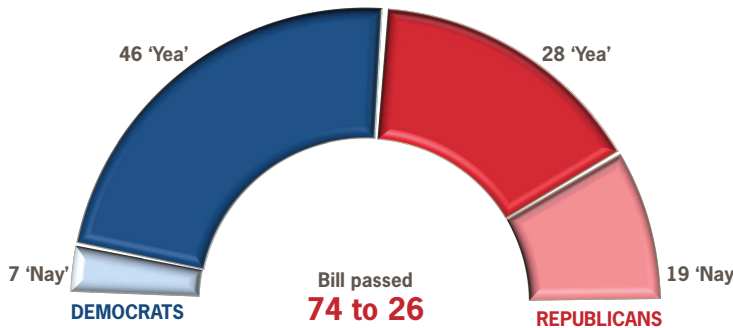
Headlines

How they voted

HOUSE OF REPRESENTATIVES



SENATE



\$917 billion
in federal
spending

\$2.4 trillion
in government
borrowing

Debt deal reached: Default averted

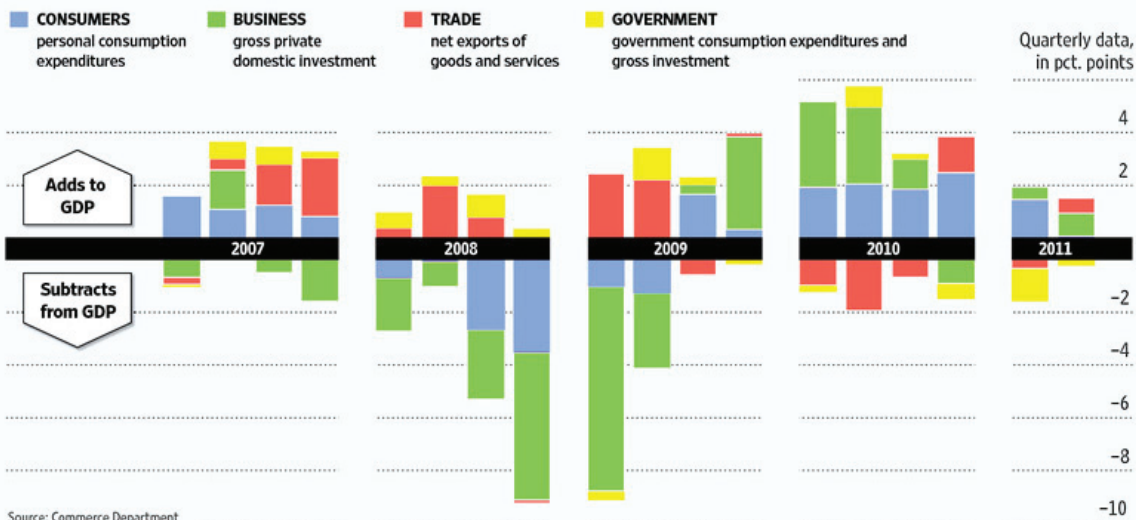
Bipartisan support for a debt limit increase and spending decrease was reached on August 2, 2011.

Bipartisan panel created

Panel will seek additional \$1.5 trillion in deficit reduction that may come from spending cuts or tax increases.

Source: Wall Street Journal

Pillars of the Economy | Contributions to percentage change in gross domestic product



GDP in focus

With the uncertainty of the debt deal behind us, can consumer spending and business investment drive growth in the second half of the year?

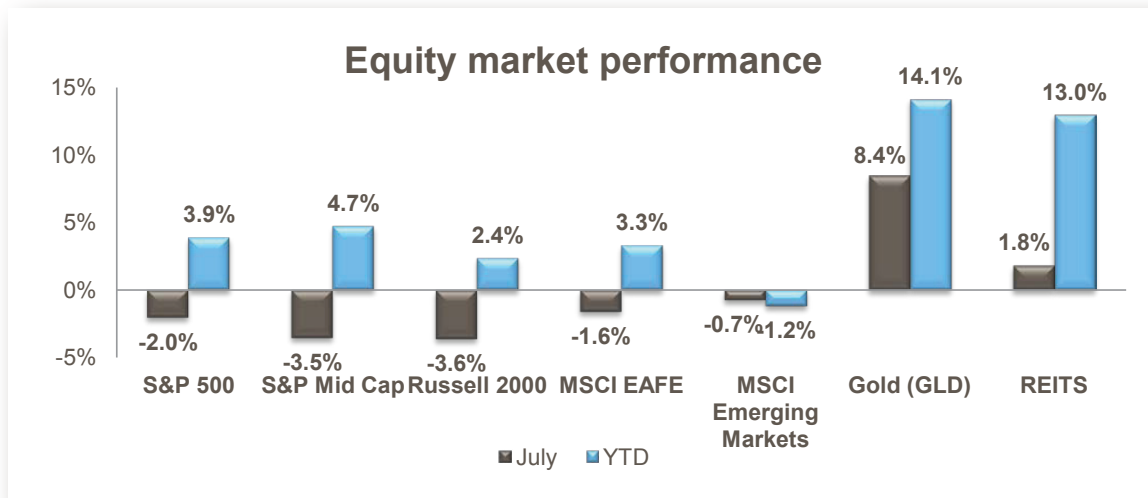


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Equity markets



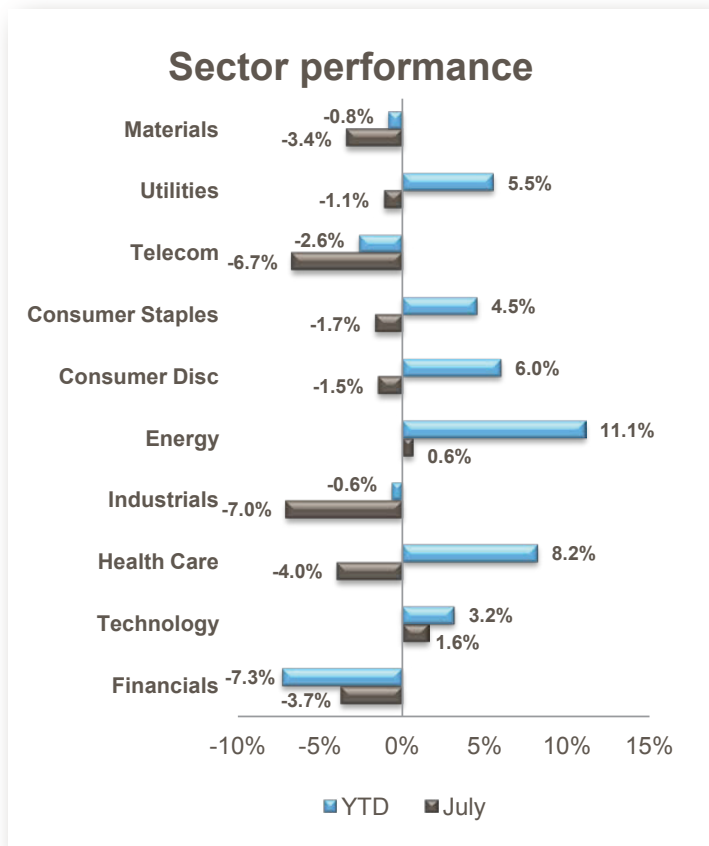
Source: Morningstar, Inc.

US Equities play waiting game for much of July before falling during the last week as the debt deadline approached.

Relative strength seen in foreign equities for second consecutive month.

Economic indicators not helping equities as poor consumer spending, GDP, and manufacturing data are released.

Gold prices hit new record high as investors worry about global economic growth.



Source: Standard & Poors

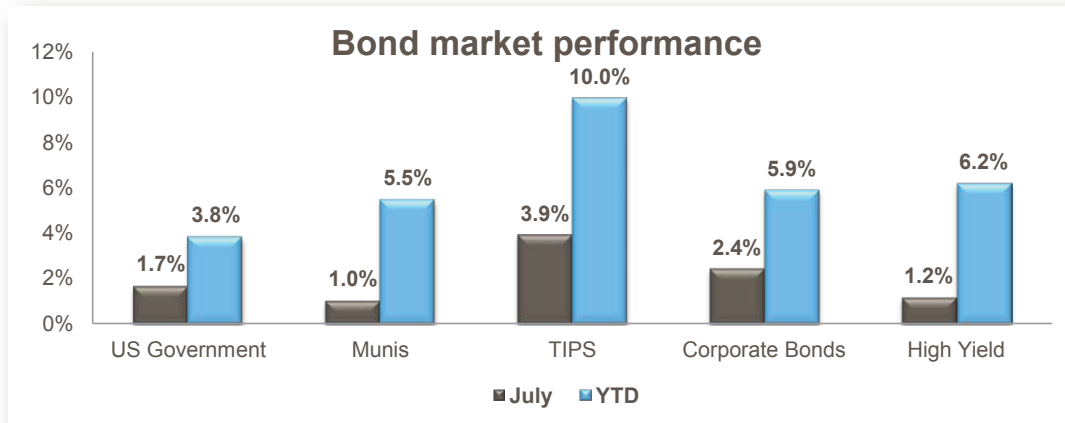


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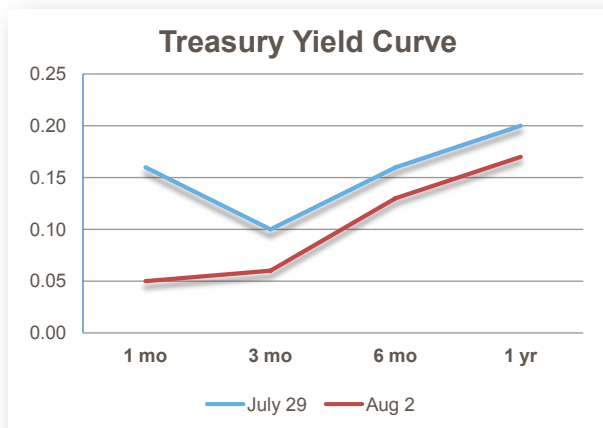


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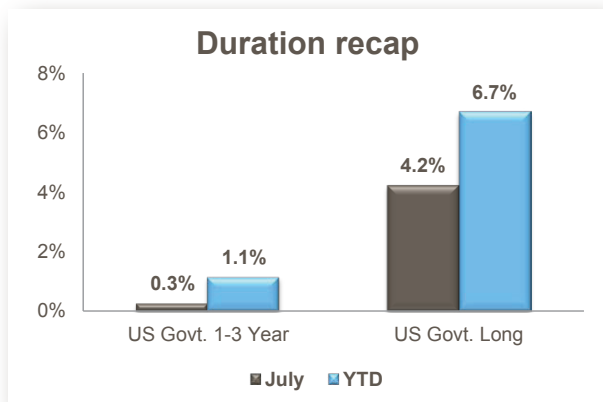
Fixed income markets



Source: Morningstar, Inc.



Source: US Department of the Treasury



Source: Morningstar, Inc.



Source: US Department of the Treasury

Bond market stays strong as investors prefer safer investments.

Long duration Treasuries finish with strong returns as debt ceiling issues hurt T-bill's relative performance.

TIPS continue strong run on the back of Treasury strength. NOTE: TIPS Index duration is eight years.

Short term Treasury market reacts negatively in late July as debt deadline approaches, but quickly reverses after bipartisan progress.

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