

# Weekly Market Update: August 5, 2011

## The Economy

- Continued weak economic data, the U.S. political debt ceiling debate and contagion concerns shifting to the larger European economies of Spain and Italy weighed heavily on the markets this week. SEI believes the problems with the global economy are cause for concern, but not cause for panic. We expect a return to moderate economic growth once the dust from recent events settles.
- Concerns about global growth caused the Dow Jones Industrial Average to plunge 513 points on Thursday, marking its biggest point drop since December 1, 2008.
- The Institute for Supply Management's (ISM) Chicago Business Survey fell to 50.9% in July from 55.3% in June. The pace of growth in the U.S. manufacturing sector was slower than expected in July, hitting its lowest level in two years.
- The U.S. non-manufacturing sector grew at a slower pace than expected in July, as the ISM Non-Manufacturing Survey fell to 52.7 from 53.3 in June. A reading above 50 signals expansion.
- According to the U.S. Department of Commerce, U.S. factory orders fell 0.8% in June, offsetting May's increase of 0.8%. The move was led by a decline in orders for transportation equipment such as civilian and defense aircraft.
- Personal income and disposable personal income each increased 0.1% in June, according to the Bureau of Economic Analysis. Personal consumption expenditures decreased 0.2%.
- The U.S. Department of Commerce reported that construction spending posted its third consecutive monthly increase, rising 0.2% in June. The increase was led by increased starts on office buildings, shopping centers and hotels.
- According to the U.S. Department of Labor, nonfarm payrolls increased by 117,000 jobs in July, exceeding consensus estimates of 85,000. The U.S. unemployment rate unexpectedly ticked lower to 9.1% from 9.2% in June.
- The Bank of England's (BoE) Monetary Policy Committee (MPC) voted to maintain U.K. interest rates at 0.5% again in the 4 August meeting. Many analysts now believe that rates will not rise until 2012, as recent economic data reflected a more pronounced slowdown than many expected.
- The European Central Bank voted unanimously to leave the base interest rate at 1.50% this week. Ongoing market turmoil has all but ruled out a rate hike before the end of the year.

## Economic Calendar

- August 9: FOMC Decision, Unit Labor Costs
- August 10: MBA Mortgage Applications
- August 11: Initial Jobless Claims, Trade Balance
- August 12: Retail Sales, Business Inventories, University of Michigan Consumer Confidence

## Stocks

- Global equity markets were negative for the week.
- In the U.S., growth beat value, and large-company stocks beat small-company stocks. In a week in which all sectors were negative, Consumer Staples and Telecommunications posted the best results.
- In the U.K. and in Europe, all sectors fell, with Materials lagging the most for both regions.

## Bonds

- Global bond markets were positive for the week.
- At the global level, the broad U.S. fixed-income market performed best, and investment-grade corporate bonds beat government bonds.
- According to Lipper data, investors withdrew \$804 million from high-yield mutual bond funds last week. Investment-grade mutual bond funds saw their first weekly outflow of the year with \$430 million leaving the asset class.
- Credit rating agency Standard & Poor's lowered the U.S. government's longstanding AAA rating (its highest rating) to AA+ (the next highest rating) on Friday, citing concerns about the country's debt levels.

The Numbers as of Friday August 5, 2011	1 Week	YTD	1 Year	Friday's Close*
<b>Global Equity Indices*</b>				
MSCI World (\$)	-8.6%	-6.7%	3.6%	1194.0
MSCI EAFE (\$)	-8.7%	-7.2%	3.4%	351.3
MSCI Emerging Mkts (\$)	-8.5%	-9.6%	2.9%	1041.1
<b>US &amp; Canadian Equities</b>				
Dow Jones Industrials (\$)	-5.8%	-1.1%	7.2%	11444.6
S&P 500 (\$)	-7.2%	-4.6%	6.5%	1199.4
NASDAQ (\$)	-8.1%	-4.5%	10.4%	2532.4
S&P/TSX Composite (C\$)	-6.1%	-9.5%	3.3%	12162.2
<b>UK &amp; European Equities</b>				
FTSE All-Share (£)	-9.9%	-11.0%	-1.6%	2727.2
MSCI Europe ex UK (€)	11.2%	-16.4%	-14.3%	781.5
<b>Asian Equities</b>				
Topix (¥)	-4.8%	-10.9%	-6.5%	801.0
Hong Kong Hang Seng (\$)	-6.7%	-9.1%	-2.8%	20946.1
MSCI Asia Pac. Ex-Japan (\$)	-8.7%	-8.2%	5.2%	439.5
<b>Latin American Equities</b>				
MSCI EMF Latin America (\$)	10.3%	-16.3%	-6.7%	3863.5
Mexican Bolsa (peso)	-6.4%	-12.6%	2.4%	33697.9
Brazilian Bovespa (real)	10.0%	-23.6%	-22.6%	52949.2
<b>Commodities (\$)*</b>				
West Texas Intermediary Spot	-9.2%	-4.9%	5.9%	86.9
Gold Spot Price	2.1%	16.6%	38.6%	1657.1
<b>Global Bond Indices (\$)*</b>				
Barclays Capital Global Agg.	0.7%	5.1%	5.1%	194.5
JPMorgan Emerging Mkt Bond	0.2%	7.3%	8.4%	561.1
<b>10-Year Yield Change (basis points**)</b>				
US Treasury	-23.7	-73.5	-34.3	2.56%
UK Gilt	-17.2	-71.0	-55.0	2.69%
German Bund	-19.2	-61.8	-21.7	2.35%
Japan Govt Bond	-7.5	-12.1	-3.3	1.01%
Canada Govt Bond	-14.7	-48.5	-47.7	2.64%
<b>Currency Exchange Rates*</b>				
US\$ per euro***	-1.0%	6.4%	8.2%	1.4245
Yen per US\$	-0.6%	1.5%	-8.6%	78.51
US\$ per £***	-3.6%	-12.7%	3.2%	1.6368
C\$ per US\$	1.9%	2.6%	-3.7%	0.9784

Source: Bloomberg, total return. Equity returns are index price only. \*New York close for Commodities, currency returns, and global equity and bond indices; ] all else local market close. \*\*100 basis points = 1 percentage point. \*\*\*A gain in US\$ per euro and £ = a decline in the dollar, and vice-versa.

*Index returns are for illustrative purposes only and do not represent actual fund performance.*

*Index performance returns do not reflect any management fees, transaction costs or expenses. Indexes are unmanaged and one cannot invest directly in an index. Past performance does not guarantee future results.*

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