

## For The Week Ended May 30, 2008

### Weekly Market Commentary & Developments

#### US Economy and Credit Markets

##### Yields and Weekly Changes:

<b>3 Mo. T-Bill</b>	1.87 (+03 bps)	<b>GNMA (30 Yr) 8% Coupon:</b> 105-21/32 (5.81%)
<b>6 Mo. T-Bill</b>	2.00 (+08 bps)	<b>Duration:</b> 3.31 years
<b>2 Yr. T-Note</b>	2.64 (+22 bps)	<b>30-Year Insured Revs:</b> 98.7% of 30 Yr. T-Bond
<b>5 Yr. T-Note</b>	3.41 (+28 bps)	<b>Bond Buyer 40 Yield:</b> 5.13% (+06 bps)
<b>10 Yr. T-Note</b>	4.06 (+22 bps)	<b>Crude Oil Futures:</b> 127.82 (-4.02)
<b>30 Yr. T-Bond</b>	4.71 (+14 bps)	<b>Gold Futures:</b> 887.30 (-39.50)
		<b>Merrill Lynch High Yield Indices:</b>
		<b>BB, 7-10 Yr.</b> 8.00% (+08 bps)
		<b>B, 7-10 Yr.</b> 10.23% (+06 bps)

Treasury prices fell for the week and the month, ending May with their second straight monthly loss. With oil prices at or near record highs, the specter of the Fed raising interest rates this year is increasing, as the central bank seeks to stem inflation. While the housing sector continues to experience problems, other parts of the economy remain on solid footing. Durable goods orders increased by 2.5% when excluding transportation, far outdistancing forecasts. In addition, GDP was revised upward to an annual rate of 0.9%, in line with expectations. Both personal income and spending rose 0.2% in April, matching both forecasts and the rate of inflation. Economic reports (and related consensus forecasts) for the coming week include: Monday: May ISM Manufacturing Index (48.5, Prices Paid 85.0); Tuesday: May Total Vehicle Sales (14.6 million) and April Factory Orders (-0.1%); Wednesday: 1Q Final Nonfarm Productivity (2.5%) and Unit Labor Costs (2.0%) and May ISM Non-Manufacturing Index (51.0); Thursday: Initial Jobless Claims (373,000); and Friday: May Employment Report, including Change in Nonfarm Payrolls (-60,000), Unemployment Rate (5.1%), Average Hourly Earnings (0.2%), and Average Weekly Hours (33.7), April Wholesale Inventories (0.4%), and April Consumer Credit (\$7.0 billion).

#### US Stocks

##### Weekly Index Performance

<b>DJIA</b>	12638.32 (+158.69,+1.3%)
<b>S&amp;P 500</b>	1400.38 (+24.45,+1.8%)
<b>S&amp;P MidCap</b>	881.96 (+23.46,+2.7%)
<b>S&amp;P Small Cap</b>	395.31 (+12.35,+3.2%)
<b>NASDAQ Comp</b>	2522.66 (+77.99,+3.2%)
<b>Russell 2000</b>	748.28 (+24.18,+3.3%)

##### Market Indicators

<b>Strong Sectors:</b>	Telecom, Technology, Industrials
<b>Weak Sectors:</b>	Energy, Financials, Consumer Staples
<b>NYSE Advance/Decline:</b>	2,471 / 1,119
<b>NYSE New Highs/New Lows:</b>	100 / 83
<b>AAll Bulls/Bears:</b>	31.4% / 45.8%

U.S. stocks regained their footing over the holiday shortened week as commodity prices moderated and economic data showed some stability. Oil posted its first weekly loss in four weeks, falling 3.7%. Gold also fell, finishing the week 4.7% lower. The market took the upward Q1 GDP revision as a positive although it was moderated somewhat by consumer confidence numbers that hit 16 year lows. Housing data continued to show weakness as both home prices and mortgage defaults failed to show signs of bottoming. **Dell** bested estimates due to strong foreign demand and cost cuts. **MasterCard** shares gained after the company boosted its forecast. Strong overseas growth pushed **Tiffany's** results ahead of forecasts. **Costco** reported quarterly earnings ahead of expectations although they see challenges in the current quarter. **J Crew** shares fell sharply after the apparel retailer reduced its forecast. **Sears** swung to a quarterly loss. **GM** announced that 19,000, or 25%, of its factory workforce accepted buyouts, while **Ford** is expected to cut its salaried workforce by 2,000. **Dow Chemical** announced it is raising prices, by up to 20% in some cases, as it attempts to deal with fast rising raw materials costs. In merger news, **United Airlines** called off talks with **US Airways**. Looking ahead, the coming week is light on scheduled corporate news so investors will be focused on the May employment report late in the week. Reasonable valuations should provide support for equities over the near-term as investors await more conclusive data on the economy's resilience.