

For The Week Ended March 13, 2009
Weekly Market Commentary & Developments

US Economy and Credit Markets:

Yields and Weekly Changes:

3 Mo. T-Bill	0.18 (-01 bps)	GNMA (30 Yr) 7% Coupon: 105-20/32 (4.05%)
6 Mo. T-Bill	0.41 (+03 bps)	Duration: 2.96 years
1 Yr. T-Bill	0.66 (+01 bps)	30-Year Insured Revs: 179.0% of 30 Yr. T-Bond
2 Yr. T-Note	0.96 (+01 bps)	Bond Buyer 40 Yield: 5.57% (+04 bps)
3 Yr. T-Note	1.36 (+00 bps)	Crude Oil Futures: 46.25 (+0.73)
5 Yr. T-Note	1.86 (-01 bps)	Gold Futures: 930.10 (-12.60)
10 Yr. T-Note	2.89 (+02 bps)	Merrill Lynch High Yield Indices:
30 Yr. T-Bond	3.67 (+12 bps)	BB, 7-10 Yr. 12.59% (-09 bps)
		B, 7-10 Yr. 16.64% (-40 bps)

Treasury yields were generally unchanged on the week with the exception of the 30 year yield which was up 12 basis points. Treasury prices were mixed on Monday with short term prices modestly lower. Prices of Treasuries fell across the board on Tuesday due to supply concerns and a rally in the U.S. stock market. Bargain hunters returned to Treasuries on Wednesday following an \$18 billion, 10-year note auction. Thursday's auction of \$11 billion of 30-year bonds drew stronger demand than predicted and drove Treasuries higher across the board. Prices were mixed on Friday with short-term Treasuries rising and long term bonds declining. U. of Michigan Consumer Confidence came in slightly higher than expected on Friday at 56.6 vs. the survey of 55.0. Major economic reports (and related economic forecasts) for next week include: Monday: Industrial Production (-1.3%); Tuesday: PPI (-1.4% YoY), PPI Ex Food & Energy (3.8% YoY), Housing Starts (450,000); Wednesday: CPI (0.00% YoY), CPI Ex Food & Energy (1.7% YoY), FOMC Rate Decision (0.25%); Thursday: Philadelphia Fed (-38.9).

US Stocks:

Weekly Index Performance

DJIA	7223.98 (+597.04,+9.0%)
S&P 500	756.55 (+73.17,+10.7%)
S&P MidCap	456.71 (+48.58,+11.9%)
S&P Small Cap	207.17 (+21.51,+11.6%)
NASDAQ Comp	1431.50 (+137.65,+10.6%)
Russell 2000	393.09 (+42.04,+12.0%)

Market Indicators

Strong Sectors:	Financials, Industrials, Materials
Weak Sectors:	Utilities, Energy, Consumer Staples
NYSE Advance/Decline:	2,902 / 312
NYSE New Highs/New Lows:	10 / 671
AAll Bulls/Bears:	27.6% / 54.5%

US stocks ended a four-week losing streak, posting their best weekly gains since late November. Investors took a positive view of the week's economic data and of statements from the nation's leading banks on recent business trends. Rumored regulatory changes also bolstered sagging confidence in the markets. Stocks traded lower Monday, closing at 12 ½ year lows as investor Warren Buffett contended the US economy has "fallen off a cliff", but they rose in each of the ensuing four sessions. The catalyst for the turnaround appeared to be **Citigroup's** statement the bank was off to its best two-month start to a quarter in terms of profitability since Q3 '07. Later, **Bank of America** and **JPMorgan Chase** also noted profitable trends in new lending activity. B of A shares soared 83%, Citi gained 73% and JPM rose 49%. **General Electric** lost its S&P triple-A credit rating which it held since 1956 but investors bid GE shares 36% higher. **General Motors** stated it does not need additional government funds at least until March. Retail sales in February ex-autos fell less than expected. Crude oil prices rose for a fourth straight week. A hearing on mark-to-market accounting appeared to nudge the FASB closer to issuing guidance on valuing illiquid assets in non-existent markets. A possible pending reinstatement of the uptick rule for short sales also encouraged investors. In merger news, **Merck** announced it would acquire **Schering-Plough** for \$41 billion, **Roche** finalized the purchase of partially-owned **Genentech** and **Gilead Sciences** agreed to acquire **CV Therapeutics** for \$1.4 billion. **United Technologies** lowered guidance and announced job cuts totaling 11,600 yet its shares advanced. **Kroger** beat consensus estimates on sales of private label brands. **Apple** shares jumped on anticipation of a new product announcement. Looking ahead, the coming week offers up plenty of data points for investors re: the economy and the Fed though earnings reports due out are few. Stocks could get a lift from a successful launch of the TALF program but whether last week's action amounts to anything more than a bear market bounce could depend on some further signs the government's efforts to reflate the economy are gaining traction.