

For The Week May 15, 2009
Weekly Market Commentary & Developments

US Economy and Credit Markets:

Yields and Weekly Changes:

| | | |
|----------------------|----------------|--|
| 3 Mo. T-Bill | 0.15 (-02 bps) | GNMA (30 Yr) 6% Coupon: 104-26/32 (2.84%) |
| 6 Mo. T-Bill | 0.26 (-03 bps) | Duration: 3.16 years |
| 1 Yr. T-Bill | 0.46 (-07 bps) | 30-Year Insured Revs: 165.0% of 30 Yr. T-Bond |
| 2 Yr. T-Note | 0.85 (-12 bps) | Bond Buyer 40 Yield: 5.28% (-03 bps) |
| 3 Yr. T-Note | 1.30 (-15 bps) | Crude Oil Futures: 56.51 (-2.18) |
| 5 Yr. T-Note | 1.99 (-14 bps) | Gold Futures: 931.90 (+15.30) |
| 10 Yr. T-Note | 3.13 (-15 bps) | Merrill Lynch High Yield Indices: |
| 30 Yr. T-Bond | 4.08 (-18 bps) | BB, 7-10 Yr. 11.63% (+33 bps) |
| | | B, 7-10 Yr. 13.26% (+21 bps) |

Treasuries prices were higher for the week, with the benchmark 10-year note showing gains for the first time in two months. Prices rose the first four days of the week as equity prices declined and the Treasury continued to buyback long-term debt. In addition, early-week news from the economy dampened enthusiasm on the speed and strength of the economic recovery. Prices rebounded somewhat Friday as industrial production (excluding automobiles) declined at its slowest pace since last August, renewing optimism that the contraction of the economy is slowing. Among the news that affected the market during the week were disappointing April retail sales, which fell by 0.4% vs. expectations of unchanged; retail sales excluding automobiles were down by 0.5% against forecasts of a gain of 0.2%. Industrial production fell by 0.5% in April, beating the consensus forecast of a 0.6% decline. April consumer prices were unchanged from March, while producer prices increased by 0.3%. Major economic reports (and related consensus forecasts) for next week include: Tuesday: April Housing Starts (523,000); Wednesday: Minutes of April 29 FOMC Meeting; and Thursday: Initial Jobless Claims (630,000), April Leading Indicators (+0.8%), and May Philadelphia Fed report (-18.0).

US Stocks:

Weekly Index Performance

| | |
|--------------------------|--------------------------|
| DJIA | 8268.64 (-306.01,-3.57%) |
| S&P 500 | 882.88 (-46.35,-4.99%) |
| S&P MidCap | 545.72 (-41.19,-7.02%) |
| S&P Small Cap | 252.86 (-21.05,-7.69%) |
| NASDAQ Comp | 1680.14 (-58.86,-3.38%) |
| Russell 2000 | 475.84 (-35.98,-7.03%) |

Market Indicators

| | |
|---------------------------------|---|
| Strong Sectors: | Health Care, Consumer Goods, Technology |
| Weak Sectors: | Financials, Oil & Gas, Industrials |
| NYSE Advance/Decline: | 652 / 2,532 |
| NYSE New Highs/New Lows: | 12 / 20 |
| AAll Bulls/Bears: | 43.8% / 35.2% |

The S&P 500 had its worst week since early March and the Dow Jones Industrial Average dropped for just the second time in ten weeks. The Nasdaq Composite ended the week down 3.4% for its first drop in nine weeks. Signs of the sluggish economy abounded as jobless claims increased and April retail sales dropped causing some investors to take profits. **Sony** shares dropped almost 2.5% for the week after the company reported their first annual loss in 14 years caused by weak demand and a strong yen. The industrial battery maker **Energys'** shares fell over 12.5% after it badly missed 4th quarter revenue expectations. A report in *The Wall Street Journal* that the US government is pressuring **Bank of America** to hire directors with more banking experience even though it does not own a stake in the bank caused the shares to drop almost 25%. **General Motors** appears to be heading for bankruptcy as six executives sold their remaining stock in the company causing the shares to fall a farther 31%. **Dryships** shares fell 14.5% after announcing a plan to raise \$475 million in new common stock causing significant dilution. **Gildan Activewear's** shares soared over 15% after reporting strong revenue and expectations for improved gross margins in the second half of the fiscal year. The Treasury's plan to require clearing of standardized OTC products led JPMorgan to upgrade **CME Group Inc.'s** shares to neutral which helped the stock finish up over 11% for the week. Crude-oil futures finished the week down 3.9%. Looking ahead to earnings this week, **Lowe's** reports its 1st quarter earnings on Monday followed by **Medtronic**, **Hewlett-Packard** and **Home Depot** on Tuesday. Investors will be watching for recovery signs on Tuesday when data on building permits and housing starts is released.