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For The Week Ended May 22, 2008
Weekly Market Commentary & Developments

US Economy and Credit Markets:

Yields and Weekly Changes:

3 Mo. T-Bill	0.17 (+02 bps)	**GNMA (30 Yr) 6% Coupon:**	104 (3.51%)
6 Mo. T-Bill	0.24 (-02 bps)	**Duration:**	2.71 years
1 Yr. T-Bill	0.44 (-02 bps)	**30-Year Insured Revs**:	153.7% of 30 Yr. T-Bond
2 Yr. T-Note	0.80 (+03 bps)	**Bond Buyer 40 Yield**:	5.22% (-06 bps)
3 Yr. T-Note	1.38 (+08 bps)	**Crude Oil Futures**:	61.17 (+4.66)
5 Yr. T-Note	2.20 (+21 bps)	**Gold Futures**:	957.90 (+26.00)
10 Yr. T-Note	3.44 (+31 bps)	**Merrill Lynch High Yield Indices:**	
30 Yr. T-Bond	4.38 (+30 bps)	**BB, 7-10 Yr.**	11.43% (-20 bps)
		B, 7-10 Yr.	13.10% (-16 bps)

Treasury yields were higher for the week, with the biggest price declines in the longest maturities. The decline was sharpest for the benchmark 10-year note, which saw its largest weekly decline in nearly a year. The huge supply of Treasuries helped fuel the decline, as a total of $101 billion in two-, five-, and seven-year notes will be issued this week, along with $61 billion in three- and six-month bills. Estimates are that the U.S. will issue $3.25 trillion in the fiscal year, which ends September 30th; the amount would be a record. Last week's price decline came despite the Fed purchasing more than $18 billion in U.S. debt, and based on the minutes of the most recent Fed meeting, the amount of debt it purchases may increase in an attempt to spur a more rapid recovery, although it will first assess the effect of the current programs before expanding them further. Major economic reports (and related consensus forecasts) for next week include: Wednesday: April Existing Home Sales (4.66 million); Thursday: April Durable Goods Orders (+0.5%, Ex Transportation -0.3%), Initial Jobless Claims (630,000), and April New Home Sales (360,000); and Friday: 1Q Preliminary GDP (-5.5%, Price Index 2.9%), May Chicago Purchasing Manager Index (42.0), and May final University of Michigan Confidence (68.0).

US Stocks:

Weekly Index Performance

DJIA	8277.32 (+8.68,+0.1%)
S&P 500	887.00 (+4.12,+0.5%)
S&P MidCap	551.28 (+5.56,+1.0%)
S&P Small Cap	253.23 (+0.37,+.0.1%)
NASDAQ Comp	1692.01 (+11.87,+0.7%)
Russell 2000	477.62 (+1.78,+0.4%)

Market Indicators

Strong Sectors: Materials, Staples, Discretionary
Weak Sectors: Telecomm, Health Care, Industrials
NYSE Advance/Decline: 2,258 / 925
NYSE New Highs/New Lows: 27 / 12
AAII Bulls/Bears: 33.7% / 45.4%

US stocks rebounded posting modest gains last week following their first losing week since early March. Housing starts and permits hit record lows indicating homebuilders fortunes have not turned. Home improvement retailers **Lowe's** and **Home Depot** both posted earnings ahead of forecasts due largely to cost controls though their shares went in opposite directions. Lowe's gained after boosting its forecast while Home Depot sank when it did not offer the same. Medical device maker **Medtronic's** shares sank following a disappointing outlook. Tight cost controls led to better than expected results from **Target**. **TJX** and **Saks** also posted results ahead of forecasts. **Hewlett-Packard** reported an in-line quarter though its shares fell on margin worries. **GameStop** tumbled on lower than expected comp store sales. Financial shares were pressured by President Obama's signing of the credit card consumers "Bill of Rights" which limits fees and contract changes. Several banks raised capital to help address shortfalls revealed during the recent stress tests. **Bank of America** was among them raising $13 billion in equity. **BankUnited Financial** became the largest bank failure of the year. **GMAC**, **General Motor's** credit arm, received an additional $7.5 billion in federal aid. **General Motor's** shares remained volatile ahead of a possible bankruptcy filing in the coming weeks. Oil gained over 8% to finish the week at $61.67 though energy stocks managed only small gains. Looking ahead, reports on Q1 GDP and housing prices will be closely watched this week. A smattering of earnings reports are also on tap. The ability of equities to hold up well in the face of negative news of late is encouraging and could be a precursor to further gains.