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For The Week Ended May 29th, 2009
Weekly Market Commentary & Developments

US Economy and Credit Markets:

Yields and Weekly Changes:

3 Mo. T-Bill	0.09 (-08 bps)	**GNMA (30 Yr) 6% Coupon:** 104-13/32 (3.51%)	
6 Mo. T-Bill	0.27 (+03 bps)	**Duration:** 2.72 years	
1 Yr. T-Bill	0.46 (+02 bps)	**30-Year Insured Revs**: 155.2% of 30 Yr. T-Bond	
2 Yr. T-Note	0.92 (+04 bps)	**Bond Buyer 40 Yield**: 5.32% (+10 bps)	
3 Yr. T-Note	1.40 (+02 bps)	**Crude Oil Futures**: 66.44 (+5.27)	
5 Yr. T-Note	2.06 (+14 bps)	**Gold Futures**: 979.40 (+21.50)	
10 Yr. T-Note	3.45 (+01 bps)	**Merrill Lynch High Yield Indices:**	
30 Yr. T-Bond	4.33 (-05 bps)	**BB, 7-10 Yr.**	11.34% (-09 bps)
		B, 7-10 Yr.	12.95% (-15 bps)

Treasury prices closed little changed from their levels to open the holiday-shortened week. Yields on Treasury notes were slightly higher for the week, while to yield on the 30-year bond fell slightly. After declining both Tuesday and Wednesday following the Memorial Day holiday, the benchmark 10-year note saw its biggest two-day gain in price since December to close the week. After concerns of over-supply had dented prices the previous week, strong demand for $101 billion in notes auctioned on the week spurred Thursday and Friday's higher prices. In news from the economy, existing home sales were higher than consensus forecasts, while new home sales fell short of predictions. Durable good sales were stronger than expected in April. Major economic reports (and related consensus forecasts) for next week include: Monday: April Personal Income (-0.2%) and Personal Spending (-0.2%) and May ISM Manufacturing Index (42.0, Prices Paid 35.0); Tuesday: May Total Vehicle Sales (9.4 million); Wednesday: May ISM Non-Manufacturing Index (45.0) and April Factory Orders (+0.8%) Thursday: 1Q Final Nonfarm Productivity (+1.2%) and Unit Labor Costs (+2.9%), and Initial Jobless Claims (620,000); Friday: May Employment report, including Change in Nonfarm Payrolls (-521,000), Unemployment Rate (9.2%), Average Hourly Earnings (+0.1%), and Average Weekly Hours (33.2), and April Consumer Credit (-$6.0 billion).

US Stocks:

Weekly Index Performance

DJIA	8500.33 (+223.01,+2.7%)
S&P 500	919.14 (+32.14,+3.6%)
S&P MidCap	575.52 (+24.24,+4.4%)
S&P Small Cap	264.89 (+11.66,+4.6%)
NASDAQ Comp	1774.33 (+82.32,+4.9%)
Russell 2000	501.58 (+23.96,+5.0%)

Market Indicators

Strong Sectors: Energy, Technology, Financials, Materials
Weak Sectors: Consumer Staples, Consumer Discretionary, Health Care
NYSE Advance/Decline: 2,515 / 652
NYSE New Highs/New Lows: 32 / 13
AAII Bulls/Bears: 40.4% / 48.6%

US stocks fought their way higher over four days of trading to complete a third straight month of gains. Investors' risk appetite continued to improve despite mixed signals on the economy and a wobbly Treasury market. The DJIA's three-month rise is its best since late 1998, the S&P 500's its best since 1938. The prevailing view is that the economy is poised for a recovery. Data out last week included a weaker than expected reading on Q1 GDP, an uptick in durable goods orders (but with a downward revision to the prior month), a strong reading on consumer confidence, a setback for the Chicago PMI, and an inconclusive string of readings on the housing market. An inflation trade was in evidence as the US dollar weakened, commodities firmed, and Energy and Materials shares outperformed. Crude oil ascended to six-month highs, closing the week at $66.31/bbl. Gold prices rose $20/oz on the week. **General Motors** successfully negotiated a debt-for-equity swap with bondholders while the UAW ratified a new labor agreement ahead of Monday's deadline for restructuring. GM is nonetheless expected to file for bankruptcy with the government expected to ultimately own 72.5% of the company. In earnings news, **Monsanto** lowered full-year guidance. **Dell** reported weaker sales and earnings but beat expectations and stable margins were a positive surprise. **J Crew** reported surprisingly strong results, surpassing expectations by a wide margin. **Time Warner** announced it would spin off AOL into a publicly-traded company, ending a disastrous eight-year old merger. Looking ahead, the coming week begins a new month and with that comes higher expectations for a recovery in the economy and corporate profits. Friday's monthly employment report looms large on the calendar for that reason. The housing market, the job market and now energy prices deserve to be front and center on investors' radar as potential headwinds to a consumer-led recovery.