

For The Week Ended June 12, 2008
Weekly Market Commentary & Developments

US Economy and Credit Markets:

Yields and Weekly Changes:

3 Mo. T-Bill	0.16 (-01 bps)	GNMA (30 Yr) 6% Coupon: 103-21/32 (4.42%)
6 Mo. T-Bill	0.27 (-04 bps)	Duration: 3.22 years
1 Yr. T-Bill	0.49 (-10 bps)	30-Year Insured Revs: 147.6% of 30 Yr. T-Bond
2 Yr. T-Note	1.27 (-02 bps)	Bond Buyer 40 Yield: 5.52% (+07 bps)
3 Yr. T-Note	1.89 (+05 bps)	Crude Oil Futures: 72.13 (+3.69)
5 Yr. T-Note	2.78 (-04 bps)	Gold Futures: 941.20 (-20.50)
10 Yr. T-Note	3.78 (-04 bps)	Merrill Lynch High Yield Indices:
30 Yr. T-Bond	4.64 (+01 bps)	BB, 7-10 Yr. 10.08% (-12 bps)
		B, 7-10 Yr. 12.08% (-31 bps)

Most Treasury yields ended the week slightly lower. Monday, investors continued Friday's sell off in shorter dated Treasuries on concern that the Fed may begin to increase interest rates this year to stave off inflation after a better than expected May payrolls report. Bargain hunters moved in on Tuesday driving prices higher taking advantage of a 3-day losing streak and a heavy sell off. A weak \$19 billion 10-year note auction on Wednesday influenced lower Treasury prices across the board. Thursday saw prices rise again following a strong \$11 billion auction of 30-year bonds. Treasuries rose across the board Friday as the Japanese Finance Minister confirmed his confidence in U.S. Treasury securities. On Wednesday, the Trade Balance was reported at -29.2 billion vs. the expectation of -29.0 billion. Friday, the preliminary University of Michigan Consumer Confidence was reported at 69 vs. the survey estimate of 69.5. Major economic reports (and related consensus forecasts) for next week include: Tuesday: PPI (-4.40%, Ex Food & Energy 3.20%), Housing Starts (483,000); Wednesday, CPI (-0.90%, Ex Food & Energy 1.80%), 1Q2009 Current Account Balance (-\$85 billion).

US Stocks:

Weekly Index Performance

DJIA	8799.26 (+36.13,+0.4%)
S&P 500	946.21 (+6.12,+0.7%)
S&P MidCap	597.02 (+0.92,+0.2%)
S&P Small Cap	276.60 (-3.49,-1.2%)
NASDAQ Comp	1858.80 (+9.38,+0.5%)
Russell 2000	526.83 (-3.53,-0.7%)

Market Indicators

Strong Sectors: Utilities, Energy, Telecommunication Svcs
Weak Sectors: Consumer Staples, Industrials, Discretionary
NYSE Advance/Decline: 1,499 / 1,681
NYSE New Highs/New Lows: 43 / 10
AAII Bulls/Bears: 39.3% / 39.3%

US stocks finished the week mixed in back-and-forth trading as investors weighed the impact of rising commodity prices and bond yields on the recent stock rally and prospects for economic growth later in the year. Oil hit \$72.68/bbl before ending the week at \$72.04/bbl, up 5% on the week. The week's modest advance pushed the Dow Industrials into positive territory for the year while the S&P 500 hit levels last seen in November 2008. A handful of banks including **JPMorgan**, **Goldman Sachs** and **Morgan Stanley** were given permission to repay almost \$70 billion in TARP funds. **Apple** announced several new products and enhancements at its worldwide developers forum though the stock fell 5% on the week. **Blackrock** reached an agreement to buy **Barclays Global Investors** for \$13.5 billion to create the world's largest asset manager. **McDonald's** reported solid May sales though US same-store-sales disappointed some. **Texas Instruments** boosted semiconductor shares after raising quarterly forecasts citing better visibility and order trends. Despite objections from creditors, a federal judge allowed the closing of **Fiat's** purchase of **Chrysler**. **Palm's** Pre was greeted by strong demand in its first week of sales as the company attempts to capture a bigger share of the wireless handheld market. Looking ahead, the coming week brings economic data on inflation and industrial activity but only a handful of earnings reports. Equities could see further gains in the coming weeks given current market sentiment and the likelihood of performance chasing into quarter end. Longer-term, more visibility from the corporate sector and stabilization in housing will be needed to support a sustained rally from current levels.