

For The Week Ended March 12th, 2010
Weekly Market Commentary & Developments

US Economy and Credit Markets:

Yields and Weekly Changes:

3 Mo. T-Bill	0.14 (unch.)	GNMA (30 Yr) 6% Coupon: 107-11/32 (2.30%)
6 Mo. T-Bill	0.21 (+02 bps)	Duration: 3.20 years
1 Yr. T-Bill	0.40 (+07 bps)	30-Year Insured Revs: 149.1% of 30 Yr. T-Bond
2 Yr. T-Note	0.95 (+06 bps)	Bond Buyer 40 Yield: 5.27% (-01 bps)
3 Yr. T-Note	1.50 (+10 bps)	Crude Oil Futures: 81.20 (-0.30)
5 Yr. T-Note	2.40 (+06 bps)	Gold Futures: 1101.90 (-33.30)
10 Yr. T-Note	3.69 (+02 bps)	Merrill Lynch High Yield Indices:
30 Yr. T-Bond	4.62 (-01 bps)	BB, 7-10 Yr. 7.44% (-15 bps)
		B, 7-10 Yr. 8.76% (-13 bps)

Most Treasury prices ended the week lower after fluctuating early in the week in anticipation of the \$74 billion in note and bond sales this week and continued euro zone concerns. Prices ended lower on Wednesday even after a strong \$21 billion 10 year note auction as the market anticipated the \$13 billion 30 year bond auction scheduled for Thursday. The 30 year bond auction did in fact exceed expectations on Thursday, pushing prices higher while other Treasury securities ended lower on the day. The trade deficit in January was reported Thursday to be \$37.3 billion vs. the consensus expectation of \$41.0 billion. Prices were mixed Friday as longer dated Treasury prices ended lower as preliminary March U of M Consumer Confidence came in at 72.5 vs. the expectation of 74.0. Also on Friday, February retail sales were reported to have increased 0.30% vs. the survey estimate of -0.2%. Ex autos, retail sales increased 0.8% vs. the estimate of 0.1%. Major economic reports (and related consensus forecasts) for next week include: March Empire Manufacturing Index (22.0), February Industrial Production (0.0%), February Capacity Utilization (72.5%); Tuesday: February Housing Starts (570,000, -3.6% MoM), February Building Permits (601,000, -3.4% MoM), FOMC Rate Decision (0.25%); Wednesday: February PPI (-0.2%, 5.0% YoY), PPI Ex Food & Energy (0.1%, 1.0% YoY), February CPI (0.1%, 2.3% YoY), CPI Ed Food & Energy (0.1%, 1.4% YoY); Thursday: 4Q2009 Current Account Balance (-\$119.8 billion), Philadelphia Fed Business Outlook Survey Index (18.0).

US Stocks:

Weekly Index Performance

DJIA	10624.69 (+58.49,+0.6%)
S&P 500	1149.99 (+11.29,+1.0%)
S&P MidCap	783.88 (+13.41,+1.7%)
S&P Small Cap	358.93 (+6.05,+1.7%)
NASDAQ Comp	2367.66 (+41.31,+1.8%)
Russell 2000	676.59 (+10.57,+1.6%)

Market Indicators

Strong Sectors:	Telecom Svcs., Financials, Technology
Weak Sectors:	Health Care, Utilities, Consumer Staples
NYSE Advance/Decline:	2,114 / 1,057
NYSE New Highs/New Lows:	898 / 7
AAII Bulls/Bears:	45.3% / 25.3%

US stocks continued their winning ways, advancing to their highest levels in 17 months. Intraday swings were less than in recent weeks. Economic data was mixed, though Friday's news retail sales in February rose 0.8% ex-autos surprised to the upside. News out of China inflation ticked higher last month had investors briefly concerned over the potential for Chinese monetary tightening and slower growth. The S&P Small Cap 600 Index extended an impressive string of gains to ten consecutive days. Financials were strong performers last week. **Citigroup's** CEO stated the bank's core profitability would rise and that the government would sell down its stake this year. **MetLife** agreed to buy **AIG's** foreign life insurance business for \$15.5 billion. In other deals, **Devon Energy** sold its international assets to **BP** for \$7 billion. A web of bids in the fertilizer space came to an apparent resolution. **CF Industries** reached an agreement to buy **Terra Industries** for \$4.7 billion, trumping an offer from **Yara International**. Meanwhile **Agrium** ended its unsolicited bid for **CF Industries**. **Cisco Systems** unveiled a new Web router and its shares rose on the news. **Texas Instruments** edged higher its earnings guidance. Teen retailers **American Eagle Outfitters** and **Aeropostale** reported strong results and both companies raised guidance. **Boeing** shares advanced as it became the sole bidder on the \$40 billion Air Force aerial refueling contract. Looking ahead, the coming week brings a heavy dose of economic data as well as plenty of headline risk with a FOMC decision due out on Tuesday and a tentative Friday deadline looming for a House vote on a Health Care bill. Stocks could continue to rise if the evidence suggests stability in jobs and housing.