

For The Week Ended March 19, 2010
Weekly Market Commentary & Developments

US Economy and Credit Markets:
Yields and Weekly Changes:

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|----------------------|----------------|--|
| 3 Mo. T-Bill | 0.14 (unch.) | GNMA (30 Yr) 6% Coupon: 107-02/32 (2.41%) |
| 6 Mo. T-Bill | 0.23 (+02 bps) | Duration: 3.19 years |
| 1 Yr. T-Bill | 0.40 (unch.) | 30-Year Insured Revs: 150.7% of 30 Yr. T-Bond |
| 2 Yr. T-Note | 0.98 (+04 bps) | Bond Buyer 40 Yield: 5.27% (unch.) |
| 3 Yr. T-Note | 1.56 (+06 bps) | Crude Oil Futures: 80.60 (-0.64) |
| 5 Yr. T-Note | 2.45 (+05 bps) | Gold Futures: 1105.80 (+4.10) |
| 10 Yr. T-Note | 3.69 (unch.) | Merrill Lynch High Yield Indices: |
| 30 Yr. T-Bond | 4.57 (-04 bps) | BB, 7-10 Yr. 7.38% (-06 bps) |
| | | B, 7-10 Yr. 8.72% (-04 bps) |

Treasury prices were generally unchanged this week with the exception of the 2, 3 and 5-year notes which declined modestly. Monday, prices were generally unchanged and Industrial Production for February was reported to have increased 0.10% vs. the expectation of no change. On Tuesday, Treasury prices were higher as the Federal Reserve decided to leave the target rate for the federal funds rate at 0% - 0.25% and maintained the statement that they will keep rates at exceptionally low levels for an "extended period" of time. Also reported Tuesday, February housing starts declined 5.9% to 575,000 vs. the expected decline of 3.60%. The PPI was reported Wednesday to have declined 0.60% in February vs. an expected decline of 0.20%. The CPI was reported on Thursday and was unchanged in February vs. the consensus expectation of an increase of 0.10%. Treasury prices were down Thursday as initial jobless claims were reported to have declined for the third week and the Philadelphia Fed Business Outlook Survey was reported at 18.9 vs. the expectation of 18.0. Major economic reports (and related consensus forecasts) for next week include: Tuesday: February existing home sales (5.0M), Richmond Fed Manufacturing Index (-1.0%); Wednesday: February Durable Goods Orders (0.50%, Ex Transportation 0.50%), February New Home Sales (315,000, 1.90% MoM); Friday: 4Q2009 GDP Annualized (5.90%), 4Q2009 Personal Consumption (1.70%), U of M Consumer Confidence (73.0).

US Stocks:
Weekly Index Performance

| | |
|--------------------------|--------------------------|
| DJIA | 10741.98 (+117.29,+1.1%) |
| S&P 500 | 1159.90 (+9.91,+0.9%) |
| S&P MidCap | 785.13 (+1.25,+0.2%) |
| S&P Small Cap | 359.43 (+0.50,+0.1%) |
| NASDAQ Comp | 2374.41 (+6.75,+0.3%) |
| Russell 2000 | 673.89 (-2.70,-0.4%) |

Market Indicators

| | |
|---------------------------------|---|
| Strong Sectors: | Telecomm, Industrials, Consumer Staples |
| Weak Sectors: | Energy, Materials, Technology |
| NYSE Advance/Decline: | 1,741 / 1,482 |
| NYSE New Highs/New Lows: | 862 / 16 |
| AAll Bulls/Bears: | 35.4% / 29.9% |

US stocks extended recent gains on their way to hitting new 2010 highs last week. Economic data was mostly positive. Inflation data in the form of the CPI and PPI showed inflation remains in check. Industrial production and factory utilization were both slightly better than expected. The FOMC reiterated that rates will remain low in the near term. Senator Dodd released a Senate version of financial regulation reform. **Pepsi** gained on a dividend increase and \$15 billion share buyback. **Nike** reported strong quarterly results on improvements in the US and strong emerging market sales. **DuPont** shares rose on optimistic growth projections. **FedEx** beat earnings and raised forecasts on improving global economic conditions. **Ford** shares rose on a credit rating upgrade though ended the week lower. Managed care shares posted strong gains ahead of the planned House health care reform vote over the weekend. Semiconductor shares gained midweek led by **Intel's** new product announcement and positive earnings in the group. **Boeing** gained after increasing 777 & 747 production plans. Energy shares were weak on falling oil prices. **Boston Scientific** shares sank after suspending defibrillators sales due to regulatory issues. Looking ahead, the coming week offers a smattering of economic reports including data on housing and durable goods. Health care shares will also be in focus. Overall, conditions remain favorable for equities as the economy continues to show signs of improvement and valuations are at reasonable levels.