

For The Week Ended May 7th, 2010
Weekly Market Commentary & Developments

US Economy and Credit Markets:

Yields and Weekly Changes:

3 Mo. T-Bill	0.12 (-03 bps)	GNMA (30 Yr) 6% Coupon: 107-19/32 (2.22%)
6 Mo. T-Bill	0.19 (-04 bps)	Duration: 3.23 years
1 Yr. T-Bill	0.36 (-01 bps)	30-Year Insured Revs: 161.8% of 30 Yr. T-Bond
2 Yr. T-Note	0.81 (-15 bps)	Bond Buyer 40 Yield: 5.08% (-03 bps)
3 Yr. T-Note	1.29 (-19 bps)	Crude Oil Futures: 75.11 (-10.85)
5 Yr. T-Note	2.16 (-26 bps)	Gold Futures: 1210.40 (+31.40)
10 Yr. T-Note	3.42 (-23 bps)	Merrill Lynch High Yield Indices:
30 Yr. T-Bond	4.27 (-25 bps)	BB, 7-10 Yr. 7.62% (+43 bps)
		B, 7-10 Yr. 9.01% (+58 bps)

Treasury prices were sharply higher for the week as the European debt crisis and volatility in the equity markets led to a flight to the quality of U.S. government debt. It marked the fifth straight week of higher prices for the 30-year bond. The Treasury will auction \$78 million in bonds and notes this week, the first time since almost three years that the amount of coupon-bearing securities has declined from the prior week. Even with the situation in Europe growing more worrisome, there was positive news from the economy, led by the April employment report. The U.S. added 290,000 jobs for the month, far exceeding the consensus forecast of 188,000 new jobs. In addition, the March report was revised to show a gain of 230,000 jobs. The ISM Manufacturing index also exceeded expectations in April, increasing to 60.4 (versus an expected 64.0). Major economic reports (and related consensus forecasts) for next week include: Tuesday: March Wholesale Inventories (+0.5%); Wednesday: March Trade Balance (-\$40.0 billion) and April Monthly Budget Statement (-\$20.0 billion); Thursday: April Import Price Index (+0.8%) and Initial Jobless Claims (440,000); and Friday: April Advance Retail Sales (+0.2%, Less Autos +0.4%), April Industrial Production (+0.6%) and Capacity Utilization (73.7%), May Preliminary U. of Michigan Consumer Confidence (73.5), and March Business Inventories (+0.4%).

US Stocks:

Weekly Index Performance

DJIA	10380.43 (-628.18,-5.71%)
S&P 500	1110.88 (-75.81,-6.39%)
S&P MidCap	756.64 (-66.42,-8.07%)
S&P Small Cap	350.69 (-30.40,-7.98%)
NASDAQ Comp	2265.64 (-195.55,-7.95%)
Russell 2000	653.00 (-63.60,-8.88%)

Market Indicators

Strong Sectors: Telecommunications, Health Care, Consumer Goods
Weak Sectors: Basic Materials, Oil & Gas, Industrials
NYSE Advance/Decline: 150 / 3,078
NYSE New Highs/New Lows: 344 / 240
AAII Bulls/Bears: 39.1% / 28.6%

Continued uncertainty and fear of possible sovereign defaults in Europe caused investors to shed risk which pushed the Dow Jones Industrial Average to its ninth-worst week in its history. Thursday's massive sell-off was blamed on technical issues, but even after rebounding from those lows, stocks still managed to wipe out all 2010 gains. Investors all but ignored the best monthly new hires report in more than four years and instead either sold stocks or hedged their positions with a record number of options contracts traded on Thursday. The Dow's worst performing stock for week was **American Express** which fell about 12%. **Hewlett-Packard** shares were among the worst tech performers for the week, falling over 10%. Shares of the biotech company **Intermune** fell almost 74% for the week after the FDA suggested a new trial is needed for its pulmonary-fibrosis treatment. Even as oil continues to leak from its well in the Gulf, shares of **BP** seem to reflect the risk as they briefly climbed near their previous week's close before retreating on Thursday. **Goldman Sachs'** CEO Lloyd Blankfein told shareholders at the annual meeting on Friday that he will not step down and the shares were among the few that finished in positive territory for the day. Shares of **Procter & Gamble** were in the spotlight Thursday as they very briefly traded down more than 40% before climbing and finishing the week down almost 3%. Government IT provider **Stanley** soared almost 27% after agreeing to a \$1b cash offer on Friday. Looking ahead to the coming week, investors will watch for any news concerning a potential European bailout. Quarterly earnings reports will also grab investors' attention with **Fluor**, **Disney**, **Cisco Systems** and retailers **Macys**, **Nordstrom** and **JC Penney** all due to report.