

For The Week Ended May 14th, 2010
Weekly Market Commentary & Developments

US Economy and Credit Markets:

Yields and Weekly Changes:

3 Mo. T-Bill	0.14 (+02 bps)	GNMA (30 Yr) 6% Coupon: 108-12/32 (1.70%)
6 Mo. T-Bill	0.20 (+01 bps)	Duration: 3.23 years
1 Yr. T-Bill	0.32 (-03 bps)	30-Year Insured Revs: 159.8% of 30 Yr. T-Bond
2 Yr. T-Note	0.79 (-01 bps)	Bond Buyer 40 Yield: 5.10% (+02 bps)
3 Yr. T-Note	1.29 (unch.)	Crude Oil Futures: 71.86 (-3.25)
5 Yr. T-Note	2.15 (-01 bps)	Gold Futures: 1232.10 (+21.70)
10 Yr. T-Note	3.45 (+02 bps)	Merrill Lynch High Yield Indices:
30 Yr. T-Bond	4.33 (+05 bps)	BB, 7-10 Yr. 7.49% (-13 bps)
		B, 7-10 Yr. 8.85% (-15 bps)

Treasury prices ultimately ended the week relatively flat after a week of volatile trading. The European aid package announced on Monday reduced the flight to quality trade and Treasury prices dropped the most in nine months. Enthusiasm tempered on Tuesday and continued concerns about the euro zone prompted strong demand for the \$38 billion three year auction. Prices reversed course Wednesday ending lower before euro zone concerns took over once again and Treasury prices closed higher on both Thursday and Friday. In U.S. economic news this week, the trade deficit in goods and services expanded nearly matching expectations at \$40.4 billion. April Retail Sales increased at 0.40% vs. the expectation of 0.20%. Industrial Production expanded at 0.80% vs. the estimate of 0.70% and Capacity Utilization was reported at 73.7% nearly matching the expectation of 73.8%. Major economic reports (and related consensus forecasts) for next week include: Monday: May Empire Manufacturing Survey (30.00); Tuesday: April PPI (0.10%, 5.60% YoY), April PPI Ex Food & Energy (0.10%, 0.90% YoY), April Housing Starts (650,000), April Building Permits (680,000); Wednesday: April CPI (0.10%, 2.40% YoY), April CPI Ex food & Energy (0.10%, 1.0% YoY); Thursday: May Philadelphia Fed Business Outlook Survey (21.7), April Leading Indicators Index (0.20%).

US Stocks:

Weekly Index Performance

DJIA	10620.16 (+239.73,+2.3%)
S&P 500	1135.68 (+24.80,+2.2%)
S&P MidCap	789.31 (+32.67,+4.3%)
S&P Small Cap	372.00 (+21.31,+6.1%)
NASDAQ Comp	2346.85 (+81.21,+3.6%)
Russell 2000	693.98 (+40.98,+6.3%)

Market Indicators

Strong Sectors:	Industrials, Technology, Consumer Discretionary
Weak Sectors:	Health Care, Energy, Materials
NYSE Advance/Decline:	2,771 / 463
NYSE New Highs/New Lows:	226 / 30
AAll Bulls/Bears:	36.6% / 36.6%

US stocks regrouped from the prior week's drubbing, but gains came with considerable volatility brought about by developments in Europe and China. Stocks rallied powerfully on Monday after Europe's governments, the ECB, and the IMF answered the sovereign debt crisis with a \$1 trillion aid package. For the rest of the week investors were left to assess its likelihood of success and potential impact on growth, and new doubts surfaced. Stocks gave back roughly half of Monday's gains over the next four sessions. China, too, weighed on markets following news of accelerating inflation there. Overshadowed last week was good economic news here at home in the form of ahead-of-consensus monthly retail sales and industrial production reports. Crude oil prices tumbled to three month lows. Gold prices benefited from Europe's falling currency. Financials were in focus for banks' exposure to Europe, haggling over financial reform measures, and news of an expanded federal probe of banks' role in mortgage derivative deals. **Visa** and **Mastercard** shares both fell after the Senate voted to give the Federal Reserve authority over debit card fees. **Disney** delivered an earnings beat on strong revenue gains at its movie studio unit though media networks results were seen as disappointing. **Macy's** results reflected strong consumer spending and market share gains. **J.C. Penney** offered cautious guidance despite posting good results. **Whole Foods** blew past analyst estimates and raised guidance. **Cisco Systems** delivered on the top and bottom lines but sounded cautious about the economy. **Priceline.com** fell victim to lofty expectations after reporting results. **IBM** shares rose as the company unveiled an upbeat five-year plan. Looking ahead, news on consumer and producer prices plus earnings results from key retailers are due out in the days ahead, but the data may continue to play second fiddle to macro concerns as long as developments in Europe remain fluid.