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For The Week Ended May 21, 2010

Weekly Market Commentary & Developments

US Economy and Credit Markets:

Yields and Weekly Changes:

3 Mo. T-Bill	0.15 (+01 bps)	**GNMA (30 Yr) 6% Coupon:** 108-6/32 (1.72%)	
6 Mo. T-Bill	0.21 (+01 bps)	**Duration:** 3.19 years	
1 Yr. T-Bill	0.32 (unch.)	**30-Year Insured Revs**: 168.5% of 30 Yr. T-Bond	
2 Yr. T-Note	0.75 (-04 bps)	**Bond Buyer 40 Yield**: 5.07% (-03 bps)	
3 Yr. T-Note	1.20 (-09 bps)	**Crude Oil Futures**: 70.50 (-1.36)	
5 Yr. T-Note	2.02 (-13 bps)	**Gold Futures**: 1177.00 (-55.10)	
10 Yr. T-Note	3.23 (-22 bps)	**Merrill Lynch High Yield Indices:**	
30 Yr. T-Bond	4.09 (-24 bps)	**BB, 7-10 Yr.**	7.97% (+48 bps)
		B, 7-10 Yr.	9.29% (+44 bps)

Treasury yields were lower for the third week in four, with benchmark 10-year note hitting its lowest level in a year. With inflation expected to remain low and the ongoing fears of the extent and severity of the European debt crisis, demand for Treasurys was high. With inflation remaining low, expectations of the timing of the Fed's increase in its target rate has been pushed back. Much of the news from the economy was strong for the week. Led by April housing starts. The April increase in housing starts of 5.8% to 672,000 annually surpassed forecasts of 650,000. Both the Producer Price Index and the Consumer Price Index were lower by 0.1% in April, while both had been expected to rise by that same amount. Core PPI, which excludes food and energy prices was higher by 0.2%, while core CPI was unchanged. Major economic reports (and related consensus forecasts) for next week include: Monday: April Existing Home Sales (5.65 million, +5.6%); Wednesday: April Durable Goods Orders (+1.5%, Ex Transportation +0.5%), April New Home Sales (425,000, +3.4%); Thursday: 1Q (Second Release) GDP (Annualized) (+3.4%, Price Index 0.9%), 1Q (Second Release) Personal Consumption (+3.7%), and Initial Jobless Claims (455,000); and Friday: April Personal Income (0.4%) and Personal Spending (0.3%), May Chicago Purchasing Manager (61.3), and May Final U of Michigan Consumer Confidence (73.4).

US Stocks:

Weekly Index Performance

DJIA	10193.39 (-426.77,-4.0%)
S&P 500	1087.69 (-47.99,-4.2%)
S&P MidCap	749.97 (-39.34,-5.0%)
S&P Small Cap	349.52 (-22.48,-6.0%)
NASDAQ Comp	2229.04 (-117.81,-5.0%)
Russell 2000	649.29 (-44.69,-6.4%)

Market Indicators

Strong Sectors: Telecomm, Consumer Staples, Financials
Weak Sectors: Industrials, Energy, Technology
NYSE Advance/Decline: 275 / 2,955
NYSE New Highs/New Lows: 86 / 132
AAII Bulls/Bears: 41.3% / 33.7%

US stocks posted steep losses for the week as European sovereign debt worries continued to weigh on global markets. Equities approached YTD lows Friday morning before rallying to pare the week's losses. Oil continued its recent slide falling another 2%. Gold also fell dropping over 4% on the week. Overall, company specific data (i.e. earnings) was mostly positive while economic data was more mixed. Initial jobless claims unexpectedly rose while the CPI and PPI reports showed inflation is in check. Despite the US Senate passing its version of financial reform, financial stocks were among the better performers for the week. Credit card issuers did come under pressure mid-week however on amendments to the legislation viewed as unfavorable to the group. Earnings related news came mostly from the retail sector. **Aeropostale** shares gained following earnings that easily topped analyst forecasts. Home improvement retailers **Lowe's** and **Home Depot** both posted bottom line results ahead of forecasts though their stocks fell when forward guidance fell short of lofty expectations. **TJX** posted solid earnings though its shares also fell. **Wal-Mart** posted a strong earnings beat on strong international sales. **GM** posted its first quarterly profit since 2007 raising speculation the company could go public by the end of the year. **Hewlett-Packard** reported both revenue and earnings above forecasts. **Deere** gained on EPS handily ahead of forecasts. **Caterpillar** fell after April sales disappointed. **Zions Bancorp** announced a dilutive capital raise sending its shares lower. Looking ahead, the situation in Europe is likely to dominate the headlines again this week though a handful of domestic economic and retail earnings reports will be closely watched. While the recent sell off has pushed equity valuations to attractive levels we could see more profit taking until investors become more comfortable with the stabilization plan in Europe