

For The Week Ended June 11, 2010
Weekly Market Commentary & Developments

US Economy and Credit Markets:
Yields and Weekly Changes:

3 Mo. T-Bill	0.06 (-06 bps)	GNMA (30 Yr) 6% Coupon: 108-25/32 (1.13%)
6 Mo. T-Bill	0.15 (-05 bps)	Duration: 3.12 years
1 Yr. T-Bill	0.28 (-03 bps)	30-Year Insured Revs: 166.2% of 30 Yr. T-Bond
2 Yr. T-Note	0.72 (unch)	Bond Buyer 40 Yield: 5.12% (+02 bps)
3 Yr. T-Note	1.21 (+06 bps)	Crude Oil Futures: 74.29 (+3.35)
5 Yr. T-Note	2.02 (+04 bps)	Gold Futures: 1226.90 (+6.50)
10 Yr. T-Note	3.22 (+02 bps)	Merrill Lynch High Yield Indices:
30 Yr. T-Bond	4.14 (+01 bps)	BB, 7-10 Yr.: 7.97% (+12 bps)
		B, 7-10 Yr.: 9.48% (+14 bps)

Longer-maturity Treasury notes and bonds were slightly lower in price for the week, while T-bills were higher. There was little key data from the economy to drive the market. The biggest market-mover of the week was the decline in retail sales in May. Sales were down by 1.2% for the month, well below consensus forecasts of a gain of 0.2%; excluding autos, sales were down 1.1%, again below the forecasted gain of 0.1%. The decline in sales was the first in eight months. The Fed's Beige Book was also released last week. It noted that slow-paced growth continues across the nation and across most sectors. It also noted that the Gulf of Mexico oil spill and the European debt crisis will be possible impediments to the continuation of that growth. Major economic reports (and related consensus forecasts) for next week include: Tuesday: May Import Price Index (-1.3%); Wednesday: May Producer Price Index (-0.5%, Ex Food & Energy +0.1%), May Housing Starts (648,000, -3.7%), and May Industrial Production (+0.8%) and Capacity Utilization (74.5%); and Thursday: May Consumer Price Index (-0.2%, Ex Food & Energy +0.1%), Initial Jobless Claims (450,000), June Philadelphia Fed report (20.0), and May Leading Indicators (+0.4%).

US Stocks:
Weekly Index Performance

DJIA	10211.07 (+279.10,+2.8%)
S&P 500	1091.60 (+26.72,+2.5%)
S&P MidCap	758.57 (+22.30,+3.0%)
S&P Small Cap	346.87 (+7.34,+2.2%)
NASDAQ Comp	2243.60 (+24.43,+1.1%)
Russell 2000	649.00 (+15.03,+2.4%)

Market Indicators

Strong Sectors: Materials, Energy, Telecomm
Weak Sectors: Technology, Staples, Industrials
NYSE Advance/Decline: 2,441 / 774
NYSE New Highs/New Lows: 93 / 151
AAll Bulls/Bears: 34.5% / 43.1%

US stocks rebounded midweek to post solid gains despite starting the week in negative territory on continued European debt worries and follow through from the prior week's disappointing employment report. The week's economic data was mostly positive. The Beige Book reported improvement across all districts including signs of improvement in employment and lending in some areas, consumer confidence was stronger than expected and Bernanke commented to Congress that he still foresees an expanding economy. US equities were also boosted late in the week by surging Chinese exports and a stronger than expected GDP in Japan. **Apple** unveiled an updated iPhone though it was not enough to send the shares higher. **McDonalds** gained on strong May sales. **Dollar General** reported EPS well ahead of forecasts as the company's value message continues to resonate with consumers. **Deere** shares gained on positive comments about May sales. **Texas Instruments** noted broad based strength across its business in raising the lower end of guidance at its analyst meeting. **Novartis** shares rose after an FDA panel recommended approval of the first pill for MS. **Bristol-Myers** and **Pfizer** also rose on positive drug data. **CVS** and **Walgreen** both saw their shares fall after Walgreen announced it will not be a provider for future CVS pharmacy benefit plans. CVS retaliated by announcing plans to drop Walgreen from all of its plans. Other PBMs gained on the dispute. Looking ahead, the earnings and economic calendar is light in the coming week. While headline risks remain, the recent sell-off has left equity valuations at compelling levels for those with a longer-term focus.