

For The Week Ended June 18^h, 2010
Weekly Market Commentary & Developments

US Economy and Credit Markets:

Yields and Weekly Changes:

3 Mo. T-Bill	0.09 (+02 bps)	GNMA (30 Yr) 6% Coupon: 108-22/32 (1.14%)
6 Mo. T-Bill	0.16 (+01 bps)	Duration: 3.13 years
1 Yr. T-Bill	0.26 (-02 bps)	30-Year Insured Revs: 166.2% of 30 Yr. T-Bond
2 Yr. T-Note	0.70 (-02 bps)	Bond Buyer 40 Yield: 5.18% (+07 bps)
3 Yr. T-Note	1.20 (-01 bps)	Crude Oil Futures: 77.31 (+3.53)
5 Yr. T-Note	2.01 (-01 bps)	Gold Futures: 1256.10 (+27.20)
10 Yr. T-Note	3.22 (unch.)	Merrill Lynch High Yield Indices:
30 Yr. T-Bond	4.14 (unch)	BB, 7-10 Yr.: 7.65% (-30 bps)
		B, 7-10 Yr.: 9.07% (-41 bps)

Treasury prices were generally unchanged this week as investors processed multiple pieces of economic data, next week's \$108 billion sales of new government debt and the upcoming Fed policy meeting. After falling Tuesday, Treasury prices rallied Wednesday and Thursday before closing the week lower on Friday. Several pieces of economic data were released Wednesday including May PPI which fell 0.30% which was less than the consensus expectation of 0.50% lower. Also on Wednesday, May housing starts were 593,000 which was below the estimate of 648,000 and May Industrial Production increased 1.20% which was above expectations of 0.90%. Thursday, May CPI was released showing a decline of 0.20% which was in line with expectations and the June Philadelphia Fed Business Outlook Survey was reported to be 8.0 vs. the consensus expectation of 20.0. Major economic reports (and related consensus forecasts) for next week include: Tuesday: May Existing Home Sales (6.15 M, 6.50% MoM); Wednesday: May New Home Sales (410K, -18.70% MoM), FOMC Rate Decision (0.25%); Thursday: May Durable Goods Orders (-1.30%, +1.0% Ex Transportation); Friday: 1Q2010 GDP (3.0% Annualized), 1Q2010 Personal Consumption (3.50%), June University of Michigan Consumer Confidence (75.5).

US Stocks:

Weekly Index Performance

DJIA	10450.64 (+239.57,+2.4%)
S&P 500	1117.51 (+25.91,+2.4%)
S&P MidCap	774.27 (+15.70,+2.1%)
S&P Small Cap	355.07 (+8.20,+2.4%)
NASDAQ Comp	2309.80 (+66.20,+3.0%)
Russell 2000	666.92 (+17.92,+2.8%)

Market Indicators

Strong Sectors:	Utilities, Technology, Industrials
Weak Sectors:	Telecom Svcs., Consumer Discretionary, Staples
NYSE Advance/Decline:	2,419 / 777
NYSE New Highs/New Lows:	156 / 41
AAll Bulls/Bears:	42.5% / 30.7%

US stocks advanced for a second straight week, climbing back into positive territory for the year as European debt woes subsided somewhat with a successful auction of Spanish sovereign debt. US economic data was mixed, with positive data on industrial production offset by weak housing starts. Consumer prices fell in May, core prices registering their slimmest year-on-year rise since 1966. Volatility declined and trading was noticeably quiet on Friday despite the quadruple witching expiration of stock and index options and futures. **BP** remained in the headlines as it suspended the dividend and set up a \$20 billion escrow for spill clean-up and reparations. BP CEO Hayward appeared before a government panel to defend the company's actions. Crude oil prices rose 4.6%. Gold rose amid ongoing concern over government finances and fiat currencies. **FedEx** reported excellent quarterly results but spooked markets by lowering earnings guidance. **Best Buy** turned in disappointing results as falling prices for TV's impacted earnings. Notebook PC sales were strong, however. **Caterpillar** showed demand for heavy equipment remains robust in Asia as sales there rose 38% year over year in May. **Walgreen** and **CVS Caremark** settled a dispute over access to Walgreen's pharmacy network for CVS PBM customers, and each company's shares rose in relief. **Kroger** beat expectations with its quarterly results but analysts remain wary of falling food prices. **Apple** shares gained on strong pre-orders for the new iPhone. Looking ahead, data on home sales and the FOMC meeting figure prominently on the calendar for the coming week. Earnings season remains a few weeks away but investors will be alert for any preannouncements. Investors may need to see more evidence the economic recovery can sustain itself before taking stocks higher. In the meantime, stocks look set for early gains to open the week after China announced an ease to its currency peg over the weekend.