

For The Week Ended June 25, 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: 108-22/32 (1.14%)
6 Mo. T-Bill	0.19 (+03 bps)	Duration: 3.13 years
1 Yr. T-Bill	0.26 (unch)	30-Year Insured Revs: 166.2% of 30 Yr. T-Bond
2 Yr. T-Note	0.64 (-06 bps)	Bond Buyer 40 Yield: 5.18% (+07 bps)
3 Yr. T-Note	1.05 (-15 bps)	Crude Oil Futures: 77.31 (+3.53)
5 Yr. T-Note	1.90 (-11 bps)	Gold Futures: 1256.10 (+27.20)
10 Yr. T-Note	3.10 (-12 bps)	Merrill Lynch High Yield Indices:
30 Yr. T-Bond	4.05 (-09 bps)	BB, 7-10 Yr.: 7.65% (-30 bps)
		B, 7-10 Yr.: 9.07% (-41 bps)

Treasury prices were higher for the week in the wake of negative news from the economy. Both new and existing home sales fell below expectations in May, with new home sales particularly disappointing. Forecasts had been for an annual rate of 410,000 homes sold, but actual figures came in at just 300,000 for the month, which marked a 32.7% decline; in addition, March and April sales were revised downward. Final 1Q GDP figures were revised downward from a rate of 3.0% growth to a 2.7% rate. Durable goods orders fell by 1.1% in May, which beat expectations of a 1.3% decline. Excluding the volatile transportation segment, orders increased by 0.9%, in line with forecasts; April figures were also revised higher by 0.4%. Major economic reports (and related consensus forecasts) for next week include: Monday: May Personal Income (+0.5%) and Personal Spending (+0.1%); Wednesday: June Chicago Purchasing Manager index (59.0); Thursday: Initial Jobless Claims (455,000), June ISM Manufacturing (59.0, Prices Paid 70.0), May Construction Spending (-0.7%), and June Total Vehicle Sales (11.40 million); and Friday: June Employment Report, including Avg. Hourly Earnings (+0.1%), Avg. Weekly Hours (34.2), Change in Nonfarm Payrolls (-110,000), and Unemployment Rate (9.8%), and May Factory Orders (-0.5%).

US Stocks:

Weekly Index Performance

DJIA	10143.81 (-306.83,-2.9%)
S&P 500	1076.76 (-40.75,-3.6%)
S&P MidCap	745.27 (-29.00,-3.7%)
S&P Small Cap	344.18 (-10.89,-3.1%)
NASDAQ Comp	2223.48 (-86.32,-3.7%)
Russell 2000	645.11 (-21.81,-3.3%)

Market Indicators

Strong Sectors: Financials, Health Care, Telecomm
Weak Sectors: Energy, Discretionary, Technology
NYSE Advance/Decline: 1,024 / 2,173
NYSE New Highs/New Lows: 162 / 83
AAll Bulls/Bears: 34.5% / 32.4%

US stocks fell last week due to lackluster corporate earnings and economic data that called into question the strength of the economic recovery. Stocks were boosted early Monday on China's plans to float its currency though they finished the day to the downside. Materials stocks gained on the news. New home sales plummeted to their lowest level on record in May while existing home sales were also weaker than expected. Homebuilder shares fell in sympathy. First quarter GDP was also revised lower. The House and Senate agreed on a finance reform bill and it will be voted on this coming week. Many of the items feared most damaging to banks future profitability were softened in the final version. A Louisiana judge overturned President Obama's six month Gulf oil drilling moratorium though the administration plans to challenge it. **Apple** announced they sold 3 million iPads in the first 80 days of sales. **Oracle** gained on a bottom line beat fueled by its **SunMicrosystems** acquisition. **Adobe** fell despite strong earnings as its forecast disappointed. **Nike** reported solid results though light revenues and currency worries sent the shares lower. **Research in Motion** fell sharply on weak shipments and subscriber additions. **Bed Bath and Beyond** beat EPS estimates though a forecast of challenging conditions sent the shares lower. **Jefferies** gained after posting strong EPS led by its investment banking division. **Walgreen** fell sharply after reporting disappointing sales and earnings. In merger news, **Ralcorp** will buy **American Italian Pasta** for \$1.2 billion, **Corn Products** will buy **National Starch** for \$1.3 billion and drug makers **Biovail** and **Valeant** agreed to merge. Looking ahead, Friday's payroll report is the week's most anticipated event. While equity valuations are at compelling levels, trading could remain choppy as investors appear to be waiting for more signs of economic growth before committing fresh capital