

For The Week Ended July 2, 2010
Weekly Market Commentary & Developments

US Economy and Credit Markets:

Yields and Weekly Changes:

3 Mo. T-Bill	0.16 (+03 bps)	GNMA (30 Yr) 6% Coupon: 108-30/32 (1.28%)
6 Mo. T-Bill	0.21 (+02 bps)	Duration: 3.09 years
1 Yr. T-Bill	0.29 (+02 bps)	30-Year Insured Revs: 174.5% of 30 Yr. T-Bond
2 Yr. T-Note	0.61 (-03 bps)	Bond Buyer 40 Yield: 5.13% (-05 bps)
3 Yr. T-Note	1.00 (-04 bps)	Crude Oil Futures: 72.24 (-6.62)
5 Yr. T-Note	1.80 (-09 bps)	Gold Futures: 1212.30 (-43.50)
10 Yr. T-Note	2.97 (-13 bps)	Merrill Lynch High Yield Indices:
30 Yr. T-Bond	3.93 (-12 bps)	BB, 7-10 Yr.: 7.65% (+06 bps)
		B, 7-10 Yr.: 9.15% (+11 bps)

Treasury note and bond prices were higher this week as concerns about the economic recovery increased demand for U.S. Treasuries and pushed the yield on the 2-year note to a new record low on Tuesday. The yield curve also flattened as the spread between the 2-year and 10-year notes declined on Thursday to the lowest level since October. On Monday, May personal income was reported to grow 0.40% vs. the expectation of 0.50%. The rally on Tuesday was influenced by the Conference Board's index of U.S. consumer confidence falling from 63.3 to 52.9 in June when the consensus expected 62.5 and an index of China's leading economic indicators rose less than expected. The June ISM Manufacturing Index was reported Thursday at 56.2 vs. the expectation of 59.0. The week ended with longer dated Treasury prices modestly higher while short dated Treasury prices were relatively flat as June Non-farm payrolls declined 125,000 vs. the consensus expectation of a 130,000 loss. In addition, the June unemployment rate dropped to 9.50% from 9.70% in May vs. the consensus expectation of 9.80%. Major economic reports (and related consensus forecasts) for next week include: Tuesday: June ISM Non-Manufacturing Composite (55.0); Thursday: May Consumer Credit (-\$2.0 billion); Friday: May Wholesale Inventories (0.40%).

US Stocks:

Weekly Index Performance

DJIA	9686.48 (-457.33,-4.51%)
S&P 500	1022.58 (-54.18,-5.03%)
S&P MidCap	702.29 (-42.98,-5.77%)
S&P Small Cap	322.90 (-21.28,-6.18%)
NASDAQ Comp	2091.79 (-131.69,-5.92%)
Russell 2000	598.97 (-46.14,-7.15%)

Market Indicators

Strong Sectors:	Telecommunications, Consumer Goods, Utilities
Weak Sectors:	Basic Materials, Financials, Industrials
NYSE Advance/Decline:	670 / 2,544
NYSE New Highs/New Lows:	107 / 227
AAll Bulls/Bears:	24.7% / 42.0%

Investors showed their concern for the state of the US economy by sending stocks down 5% this week heading into the holiday weekend. The four-quarter winning streak for stocks came to an end as they fell almost 12% during the second-quarter and were pushed to a 10 month low. Nonfarm payrolls declined for the first time this year in June. Payrolls lost 125,000 jobs as census workers were laid-off and private-sector hiring remained constrained. Disclosure on Thursday of a private equity firm's equity investment in the discount retailer **BJ's Wholesale Club** caused the shares to rise over 15%. **Google's** declaration that they will adjust their operations in order to continue conducting business in China sent **Bidu's** shares down over 11% for the week. Shares of **Amedisys** fell almost 16% after the SEC said that it was investigating the home health-care provider's Medicare reimbursements. Rumors that **Allergan** could be a possible takeover target for **Sanofi-Aventis** sent their shares up over 7% on Friday. The Supreme Court's decision to refuse to hear the Justice Department's case to claim up to \$280 billion in tobacco company profits caused **Altria's** shares to climb over 3% for the week. Talk of a possible acquisition caused a jump in **BP's** shares of over 8% for the week. **Celgene** will acquire the maker of an injectable breast-drug, **Abraxis Bioscience**, at an announced premium of almost 22%. Looking ahead to the coming week, the limited amount of economic data released means that investors will be focused on the weekly numbers such as the weekly mortgage applications on Wednesday and the weekly jobless claims on Thursday.