

US Economy and Credit Markets			
Yields and Weekly Changes:			
3 Mo. T-Bill:	0.06 (unch.)	GNMA (30 Yr) 6% Coupon:	110-3/32 (2.09%)
6 Mo. T-Bill:	0.13 (+01 bps)	Duration:	3.54 years
1 Yr. T-Bill:	0.21 (-01 bps)	30-Year Insured Revs:	156.4% of 30 Yr. T-Bond
2 Yr. T-Note:	0.58 (-05 bps)	Bond Buyer 40 Yield:	5.61% (-06 bps)
3 Yr. T-Note:	1.03 (-10 bps)	Crude Oil Futures:	101.30 (+0.14)
5 Yr. T-Note:	1.93 (-11 bps)	Gold Futures:	1419.10 (-2.70)
10 Yr. T-Note:	3.26 (-13 bps)	Merrill Lynch High Yield Indices:	
30 Yr. T-Bond:	4.41 (-13 bps)	BB, 7-10 Yr.:	6.46% (unch.)
		B, 7-10 Yr.:	7.53% (+03 bps)

Treasury prices ended higher this week as government securities rallied through Wednesday which more than offset generally lower prices Thursday and Friday. Prices were higher through Wednesday as investors sought the safety of U.S. government debt amid concerns about Japan and turmoil in the Middle East. Prices ended generally lower Thursday and Friday as equities rallied, Libya ordered a cease fire and central banks initiated a coordinated effort to lower the yen to aid in the recovery from the earthquake. In economic news this week, the Empire Manufacturing Index was reported at 17.5 vs. the estimate of 16.1 and the Federal Reserve maintained the target range for the federal funds rate at 0% to 0.25%. February housing starts were reported Wednesday at 479,000 vs. the expectation of 566,000. The Producer Price Index grew 1.6% in February, higher than the estimate of 0.7% and is up 5.6% year over year. The Consumer Price Index increased 0.5% in February against the estimate of 0.4% and is up 2.1% year over year. Industrial production was 0.1% lower in February and Capacity utilization was 76.3%. Major economic reports (and related consensus forecasts) for next week include: Monday: February Existing Home Sales (5.11M, -4.7% MoM); Tuesday: March Richmond Fed Manufacturing Index (24); Wednesday: February New Home Sales (290,000, 2.1% MoM); Thursday: February Durable Goods Orders (1.2%, 2.0% Excluding Transportation); Friday: 4Q2010 GDP (3.0%), 4Q2010 Personal Consumption (4.1%), March U of M Consumer Confidence (68.0).

US Stocks			
Weekly Index Performance:		Market Indicators:	
DJIA:	11858.52 (-185.88,-1.5%)	Strong Sectors:	Energy, Materials, Telecom Svcs.
S&P 500:	1279.21 (-25.07,-1.9%)	Weak Sectors:	Utilities, Technology, Consumer Discretionary
S&P MidCap:	942.69 (-10.25,-1.1%)	NYSE Advance/Decline:	1,081 / 2,084
S&P Small Cap:	422.06 (-4.15,-1.0%)	NYSE New Highs/New Lows:	115 / 108
NASDAQ Comp:	2643.67 (-71.94,-2.7%)	AAII Bulls/Bears:	28.5% / 40.1%
Russell 2000:	794.66 (-8.17,-1.0%)		

US stocks declined for the third week in the last four as investors retreated from risk while evaluating developments in Japan and the Middle East. Losses were heaviest on Wednesday when fears crested about the possibility of a nuclear catastrophe but stocks regained their footing on Thursday and Friday with the help of some positive US economic data. The G7's intervention Friday in currency markets to weaken the yen helped improve sentiment. Overall, as stocks had their worst week in four months whereas many economists judged the hit to the global economy from Japan to be modest, it appeared that investors were looking for a reason to take profits. Though Japan kept a lid on crude oil prices, Energy shares did relatively well as unrest in Bahrain and Libya continued, and as traditional fuels benefited from nuclear worries. Financials got a boost late in the week as the Federal Reserve freed up a number of large banks to boost their dividend payments. Technology shares were under pressure on worries about the supply of components and continuity of demand from Japan. **Cisco Systems** initiated a long-awaited dividend amounting to \$0.06 per quarter. **FedEx** reported earnings that fell short of estimates on weather-related effects but revenues were strong and the company guided the current quarter higher. **Nike's** results showed the effects of higher costs as results missed estimates and the company forecast continued margin pressure. **Lorillard** shares rallied after an FDA panel decision concerning menthol cigarettes was less dire than feared. **Berkshire Hathaway** announced it would acquire **Lubrizon** for \$9 billion cash. Over the weekend, **AT&T** announced it would acquire **T-Mobile USA** for \$39 billion. Looking ahead, Japan and Libya are likely to continue to influence short-term trading as both situations appear precarious. Longer-term, of more importance to stocks is the progress of the economy and corporate profits as fiscal and monetary stimulus wanes. Investors will look to the corporate sector for answers. To that end, the approaching quarterly earnings reporting season should be revealing.