US Economy and Credit Markets

Yields and Weekly Changes:

3 Mo. T-Bill:	0.06 (+03 bps)	GNMA (30 Yr) 6% Coupon:	110-7/32 (2.36%)
6 Mo. T-Bill:	0.11 (+01 bps)	Duration:	3.60 years
1 Yr. T-Bill:	0.22 (-03 bps)	30-Year Insured Revs:	154.9% of 30 Yr. T-Bond
2 Yr. T-Note:	0.69 (-11 bps)	Bond Buyer 40 Yield:	5.66% (-06 bps)
3 Yr. T-Note:	1.19 (-11 bps)	Crude Oil Futures:	109.43 (+3.71)
5 Yr. T-Note:	2.12 (-18 bps)	Gold Futures:	1487.40 (+12.40)
10 Yr. T-Note:	3.40 (-17 bps)	Merrill Lynch High Yield Indices:	
30 Yr. T-Bond:	4.46 (-18 bps)	BB, 7-10 Yr.:	6.33% (-03 bps)
		B, 7-10 Yr.:	7.39% (-03 bps)

Prices for Treasury notes and bonds were higher for the week, with yield declines deeper for longer maturities. The increase in price for the benchmark 10-year note marked its first weekly gain in a month. One of the driving factors was the downgrade by Moody's of Ireland's credit rating, increasing the safety play for U.S. Treasuries, as investors moved away from European sovereign debt. In addition, the Chicago Fed president said that low inflation and high unemployment indicate that U.S. monetary policy should continue to be easy. Retail sales increased by 0.4% in March, with ex auto sales higher by 0.8%, both in line with forecasts. Industrial production was also higher in March, showing an increase of 0.8% and beating forecasts of 0.6%. Both producer and consumer prices were higher in March. PPI showed a greater increase of 0.7% but still fell short of forecasts of a 1.0% increase, while CPI was higher by 0.5%, matching forecasts. Major economic reports (and related consensus forecasts) for next week include: Tuesday: March Housing Starts (520,000, +8.6%); Wednesday: March Existing Home Sales (5.00 million, +2.5%); Thursday: Initial Jobless Claims (393,000), March Leading Indicators (+0.3%), and April Philadelphia Fed Index (36.0).

US Stocks

Weekly Index Performance:

DJIA:	12341.83 (-38.22,-0.3%)
S&P 500:	1319.68 (-8.49,-0.6%)
S&P MidCap:	982.57 (-5.05,-0.5%)
S&P Small Cap:	442.10 (-2.20,-0.5%)
NASDAQ Comp:	2764.65 (-15.77,-0.6%)
Russell 2000:	834.98 (-5.91,-0.7%)

Market Indicators:

Strong Sectors:	Consumer Staples, Health Care, Consumer Discretionary
Weak Sectors:	Energy, Materials, Financials
NYSE Advance/Decline:	1,174 / 2,006
NYSE New Highs/New Lows:	216 / 53
AAII Bulls/Bears:	42.3% / 31.0%

US stocks pulled back for a second week as earnings season got underway and several high-profile companies reported mixed results. **Alcoa** reported profits ahead of expectations but came in light on revenues. **JPMorgan Chase** rode strong results from the investment bank and declining credit card losses to post better than expected earnings that were up from the prior year. However revenues fell 9% from the prior year as loan growth was flat. **Bank of America**'s quarter was messy, the result of lingering mortgage woes. B of A's earnings fell 36% from the prior year and missed estimates. **Google**'s sharply higher operating expenses caused quarterly earnings growth to lag behind an impressive 27% surge in revenues. Toymaker **Mattel** reported a strong quarter, distinguishing itself from competitor **Hasbro** which missed earnings estimates. Japan continued to weigh on markets as new aftershocks hit the country and the government upgraded its assessment of the severity of the nuclear crisis. The IMF downgraded its growth estimates for both the US and Japan. Crude oil prices fell as markets began to anticipate demand destruction from the commodity's swift rise this year. Gold rose to a new record on inflation fears. China reported higher consumer inflation. US inflation data out last week showed core consumer prices rising less than expected but the year-over-year headline rise in prices was noteworthy. Producer prices showed pressure further up the supply chain, too. In merger news, **Silgan Holdings** agreed to acquire **Graham Packaging** for $4.0 billion. **Endo Pharmaceuticals** agreed to buy **American Medical Systems** for $2.7 billion cash. **Level 3 Communications** agreed to buy **Global Crossing** for $1.9 billion in stock. Looking ahead, the coming holiday-shortened week will see earnings season in full swing with a number of market bellwethers set to report results. The market's gentle decline last week suggests investors are not ready to throw in the towel yet, and stocks could get a boost with results due out in the days ahead from **Apple**, **Citigroup, American Express** and **IBM** among others.