

US Economy and Credit Markets			
Yields and Weekly Changes:			
3 Mo. T-Bill:	0.02 (+01 bps)	GNMA (30 Yr) 6% Coupon:	111-06/32 (1.84%)
6 Mo. T-Bill:	0.06 (+01 bps)	Duration:	3.66 years
1 Yr. T-Bill:	0.16 (unch.)	30-Year Insured Revs:	157.5% of 30 Yr. T-Bond
2 Yr. T-Note:	0.53 (-01 bps)	Bond Buyer 40 Yield:	5.41% (-06 bps)
3 Yr. T-Note:	0.95 (+02 bps)	Crude Oil Futures:	99.34 (+2.16)
5 Yr. T-Note:	1.84 (-02 bps)	Gold Futures:	1492.60 (+1.00)
10 Yr. T-Note:	3.17 (+03 bps)	Merrill Lynch High Yield Indices:	
30 Yr. T-Bond:	4.31 (+02 bps)	BB, 7-10 Yr.:	6.25% (unch.)
		B, 7-10 Yr.:	7.43% (+01 bps)

Treasury prices ended relatively unchanged as the market worked through S&P's downgrade of Greece debt to single-B on Monday which was followed by re-assurances on Tuesday from euro-zone officials that they are working on a solution. A commodity sell off Wednesday that drove Treasury prices higher was followed by a weak 30-year auction Thursday. In economic news this week, the trade deficit for March increased to \$48.2 billion where the consensus expected a smaller increase to \$47.0 billion. The Producer Price Index increased 0.8% in April, larger than the estimate of 0.6% and is up 6.8% year over year vs. expectations of 6.5%. Excluding food and energy, the PPI increased 0.3% in April and is up 2.1% year over year. Advanced retail sales increased 0.5%, slightly less than the estimate of 0.6%. Not including autos, retail sales growth matched expectations at 0.6%. The Consumer Price Index increased 0.4% in April matching expectations and is up 3.2% year over year. Excluding food and energy, CPI is up 0.2% also matching expectations and is up 1.3% year over year. Preliminary U of M Consumer Confidence was 72.4 vs. the estimate of 70.0. Major economic reports (and related consensus forecasts) for next week include: Monday: May Empire Manufacturing Index (19.65); Tuesday: April Housing Starts (568,000, 3.5% MoM), April Building Permits (587,000, 0.3% MoM), April Industrial Production (0.4%), April Capacity Utilization (77.6%); Thursday: April Existing Home Sales (5.2 million, 2.0% MoM), April Leading Indicators (0.1%), May Philadelphia Fed Index (20.0).

US Stocks			
Weekly Index Performance:		Market Indicators:	
DJIA:	12595.75 (-42.99,-0.3%)	Strong Sectors:	Consumer Staples, Utilities, Health Care
S&P 500:	1337.77 (-2.43,-0.2%)	Weak Sectors:	Financials, Materials, Energy
S&P MidCap:	993.92 (+5.02,+0.5%)	NYSE Advance/Decline:	1,728 / 1,454
S&P Small Cap:	447.11 (+2.97,+0.7%)	NYSE New Highs/New Lows:	444 / 68
NASDAQ Comp:	2828.47 (+0.91,+0.0%)	AAII Bulls/Bears:	30.8% / 35.5%
Russell 2000:	835.67 (+2.33,+0.3%)		

US stocks ended the week lower following Friday's losses as renewed volatility in commodities and currencies along with macro concerns weighed on trading. The week's economic data was mixed and generally led investors to take refuge in defensive sectors of the stock market. Despite the volatility, most commodities ended the week close to where they began. The dollar strengthened against the euro, reflecting ongoing trepidation about Greece and peripheral Europe. Inflation data here at home confirmed that pressures are building behind the headline numbers. China tightened credit yet again. In earnings news, **Cisco Systems** reported quarterly revenues and earnings above consensus estimates but forward guidance was disappointing and shares shed 3.8% on the week. **Walt Disney** came up short with its results. The company blamed a poor box-office performance, a later Easter and the Japanese earthquake for the shortfall. **Macy's** offered up outstanding results that were supported by its revamped marketing initiatives and improved operations. The company hiked the dividend and boosted forward guidance. **Kohl's** met expectations though sales for the period were soft. Kohl's also raised earnings guidance for the year. **Fossil** shares jumped 13% following the company's impressive quarterly report. Strong demand for the company's watches and accessories is coming from Asia. **Goldman Sachs** shares slumped amid analyst downgrades and concern over possible government legal action against the firm. **Intel** hiked its quarterly dividend 16%. **Microsoft** announced it agreed to buy Skype for \$8.5 billion in cash. Looking ahead, the coming week brings earnings reports from key retailers including **Wal-Mart** as well as reports from tech leaders **Dell** and **Hewlett-Packard**. Market bulls will cite another strong earnings season and reasonable valuations to support their positive outlook for stocks, while bears will cite the looming end of QE2 and sobering sovereign debt problems as reasons to stay cautious.