

US Economy and Credit Markets			
Yields and Weekly Changes:			
3 Mo. T-Bill:	0.02 (-01 bps)	GNMA (30 Yr) 6% Coupon:	111-07/32 (1.71%)
6 Mo. T-Bill:	0.08 (-01 bps)	Duration:	3.73 years
1 Yr. T-Bill:	0.15 (-01 bps)	30-Year Insured Revs:	160.6% of 30 Yr. T-Bond
2 Yr. T-Note:	0.37 (-02 bps)	Bond Buyer 40 Yield:	5.17% (-09 bps)
3 Yr. T-Note:	0.67 (-02 bps)	Crude Oil Futures:	93.05 (-6.24)
5 Yr. T-Note:	1.51 (-04 bps)	Gold Futures:	1538.60 (+10.00)
10 Yr. T-Note:	2.93 (-03 bps)	Merrill Lynch High Yield Indices:	
30 Yr. T-Bond:	4.19 (+01 bps)	BB, 7-10 Yr.:	6.57% (+10 bps)
		B, 7-10 Yr.:	7.86% (+14 bps)

Treasury prices were modestly higher this week despite significant intra week volatility driven by positive economic news Tuesday followed up by a return to the safe haven of US government debt on Wednesday as social unrest erupted in Greece and concerns over US growth continued. The sell-off on Tuesday accompanied investor demand for riskier assets which was largely influenced by May advanced retail sales that declined 0.2% while the survey expected a larger decline of 0.5% as well as Chinese industrial output that exceeded expectations. Excluding autos, retail sales grew by 0.3%, outpacing expectations of 0.2% growth. Also Tuesday, May PPI was reported 0.2% higher vs. expectations of 0.1% and is up 7.3% year over year. On Wednesday, May CPI was reported 0.2% higher while the survey expected 0.1% growth. CPI is up 3.6% year over year, also higher than expectations of 3.4%. Also on Wednesday, the Empire Manufacturing Index was reported at -7.79, while the consensus expected 12.00 and May industrial production was reported 0.1% higher vs. the estimate of 0.2%. In other economic news, May housing starts increased 3.5% to 560,000 which was higher than the estimate of 545,000. Major economic reports (and related consensus forecasts) for next week include: Tuesday: May Existing Home Sales (4.80 million, -5.0% MoM); Wednesday: FOMC Rate Decision (0.25%); Thursday: May New Home Sales (310,000, -4.0% MoM); Friday: May Durable Goods Orders (1.60%, 1.0% Excluding Transportation), 1st Quarter GDP (1.9%), 1st Quarter Personal Consumption (2.2%), 1st Quarter GDP Price Index (1.9%), 1st Quarter Core PCE (1.4%).

US Stocks			
Weekly Index Performance:		Market Indicators:	
DJIA:	12004.36 (+52.45,+0.4%)	Strong Sectors:	Consumer Staples, Industrials, Utilities
S&P 500:	1271.50 (+0.52, +0.0%)	Weak Sectors:	Materials, Energy, Technology
S&P MidCap:	932.75 (+0.81,+0.1%)	NYSE Advance/Decline:	1,400 / 1,776
S&P Small Cap:	421.28 (+3.09,+0.7%)	NYSE New Highs/New Lows:	82 / 177
NASDAQ Comp:	2616.48 (-27.25,-1.0%)	AAII Bulls/Bears:	29.0% / 42.8%
Russell 2000:	781.75 (+2.21,+0.3%)		

US stocks eked out a weekly gain, ending a string of six straight down weeks. Better economic data, more M&A activity, and signs that Japan and oil might soon stop weighing on the recovery added to a sense the recent selling may have gone too far. Still, investors were on edge all week as European nations continued to bicker over additional financial aid to Greece. Contagion fears crested on Wednesday when it appeared private creditors including Europe's banks might be subjected to a full Greek default. By Friday, fear had subsided as Germany appeared to soften its negotiating stance. For the week, crude oil prices fell 6.3% to \$93/bbl. Retail sales in May fell less than expected. Consumer prices accelerated. Leading economic indicators turned up. Industrial production remained weak, however. **Best Buy** reported better than expected quarterly sales and profits, helped by mobile phones. **Kroger's** above consensus results were boosted by higher gas and grocery prices. **Ford Motor** warned profits would be flat for the current quarter. **Research In Motion** shares tumbled after the company cut sales and earnings guidance. In merger news, **VF Corporation** announced it agreed to acquire **Timberland** for \$2.2 billion. **Allied World Assurance** agreed to acquire **Transatlantic Holdings** for \$3.2 billion. **Southern Union** will be purchased for \$7.9 billion by **Energy Transfer Equity**. **Capital One Financial** agreed to buy ING Direct USA for \$9 billion in cash and stock. **Pandora Media** raised \$235 million in an initial public offering but ended its first week of trading deep in the hole. Looking ahead, the coming week will bring scattered economic data but the FOMC meeting and decision on interest rates should garner the most attention from investors. Developments in Europe will certainly command attention as well. That stocks remain out of official correction territory even as sentiment appears so poor speaks to their relative attractiveness among competing asset classes.