Weekly Market Commentary & Developments

Week Ended March 23rd, 2012

US Economy and Credit Markets

Yields and Weekly Changes:

3 Mo. T-Bill:	0.07 (-01 bps)	GNMA (30 Yr) 6% Coupon:	112-20/32 (1.42%)
6 Mo. T-Bill:	0.14 (unch.)	Duration:	3.64 years
1 Yr. T-Bill:	0.17 (-02 bps)	30-Year Insured Revs:	187.0% of 30 Yr. T-Bond
2 Yr. T-Note:	0.35 (-01 bps)	Bond Buyer 40 Yield:	4.65% (-02 bps)
3 Yr. T-Note:	0.54 (-02 bps)	Crude Oil Futures:	106.75 (-0.31)
5 Yr. T-Note:	1.08 (-03 bps)	Gold Futures:	1661.10 (+5.30)
10 Yr. T-Note:	2.23 (-06 bps)	Merrill Lynch High Yield Indices:	
30 Yr. T-Bond:	3.30 (-10 bps)	BB, 7-10 Yr.:	6.06% (+07 bps)
		B, 7-10 Yr.:	7.50% (+06 bps)

After two weeks of declines, treasuries finished the week higher on four straight days of gains. Monday saw the week's only rise in yields as investors sought riskier assets after positive commentary about the US economy from the Federal Reserve. Tuesday's gains snapped a nine day losing streak on mixed housing data as building permits were better than expected, but housing starts fell short of expectations. Prices experienced their biggest gains on Wednesday after Fed Chairman Ben Bernanke discussed the risks that higher energy prices pose for the growing recovery. Existing home sales were also lower than projected. Changes were minimal Thursday as US employment numbers were slightly better than expected, but economic data from Europe and China offset any optimism. Yields were higher again on Friday as new home sales disappointed investors. Major economic reports (and related consensus forecasts) for next week include: Monday: February Pending Home Sales (+1.0%) and March Dallas Fed Manufacturing Activity (16.0); Tuesday: January S&P/Case-Shiller Composite-20 Home Price Index (-0.25%, -3.8% YoY), March Consumer Confidence (70.0) and March Richmond Fed Manufacturing Index (18); Wednesday: February Durable Goods Orders (+3.0%, +1.8% Ex Transportation); Thursday: 4th Quarter 2011 GDP (+3.0%), 4th Quarter 2011 Personal Consumption (+2.1%) and Initial Jobless Claims (350,000); Friday: February Personal Income (+0.4%), February Personal Spending (+0.6%) and March Chicago Purchasing Manager Index (63.0).

US Stocks

Weekly Index Performance:		Market Indicators:	
DJIA:	13080.73 (-151.89,-1.1%)	Strong Sectors:	Cons Discretionary, Cons Staples, Info Tech
S&P 500:	1397.11 (-7.06,-0.5%)	Weak Sectors:	Energy, Industrials, Materials
S&P MidCap:	991.04 (-9.69,-1.0%)		
S&P Small Cap:	461.98 (0.21,0.0%)	NYSE Advance/Decline:	1,393/ 1,765
NASDAQ Comp:	3067.92 (12.66,0.4%)	NYSE New Highs/New Lows:	235/ 40
Russell 2000:	830.03 (-0.15,0.0%)	AAII Bulls/Bears:	42.4% / 27.8%

Stocks posted gains to begin the week as the S&P 500 reached its highest level since May 2008. **Apple Inc** fueled the gains after declaring its first ever quarterly dividend and a $10 billion share buyback. Investor optimism turned more cautious on Tuesday, as China imposed higher fuel prices and **BHP Billiton** announced weaker steel demand from China. Markets continued to sell-off midweek mainly due to China fears and a lower than expected Chinese manufacturing number before paring losses on Friday. Turning to earnings news, **Baker Hughes Inc** fell after guidance missed analyst expectations as producers plan to move more drilling operations to oil rich regions from dry gas regions because natural gas prices continue to fall. **FedEx Corp**, an economic bellwether, forecasted slower economic growth due to higher oil prices and a recession in Europe. **Jefferies Group**, recently battered by its euro zone exposure, posted strong results from its investment banking segment. **Dollar General** continued its torrid rise as earnings beat expectations and management gave upbeat guidance. In other stocks news, **Walt Disney Company** expects a loss of around $200 million for "John Carter" as the movie flopped at the box office. **Green Mountain Coffee Roasters** recovered some of its recent losses after announcing it will sell Starbucks brand capsules in its new coffee maker. News out of China, Europe and U.S. Durable Good Orders will likely drive markets in the coming week. For investors looking longer term, equities continue to look attractive on a fundamental basis despite the recent run up in prices as U.S. corporate profits look strong.