

| US Economy and Credit Markets |                |                                   |                         |
|-------------------------------|----------------|-----------------------------------|-------------------------|
| Yields and Weekly Changes:    |                |                                   |                         |
| 3 Mo. T-Bill:                 | 0.09 (+02 bps) | GNMA (30 Yr) 6% Coupon:           | 112-27/32 (1.05%)       |
| 6 Mo. T-Bill:                 | 0.14 (+01 bps) | Duration:                         | 3.68 years              |
| 1 Yr. T-Bill:                 | 0.17(unch.)    | 30-Year Insured Revs:             | 197.5% of 30 Yr. T-Bond |
| 2 Yr. T-Note:                 | 0.26 (unch.)   | Bond Buyer 40 Yield:              | 4.46% (-04 bps)         |
| 3 Yr. T-Note:                 | 0.36 (unch.)   | Crude Oil Futures:                | 103.83 (-1.13)          |
| 5 Yr. T-Note:                 | 0.75 (-03 bps) | Gold Futures:                     | 1655.50 (-15.14)        |
| 10 Yr. T-Note:                | 1.84 (-03 bps) | Merrill Lynch High Yield Indices: |                         |
| 30 Yr. T-Bond:                | 3.02 (-05 bps) | BB, 7-10 Yr.:                     | 5.89% (+02 bps)         |
|                               |                | B, 7-10 Yr.:                      | 7.24% (+03 bps)         |

Treasury prices closed higher for the eighth straight week as continuing European debt concerns left investors seeking safe haven assets. Prices were unchanged on Monday as the market digested news that French President Nicolas Sarkozy was defeated by Francois Hollande. Treasuries were slightly higher on Tuesday as demand at the three-year note auction was the highest since January. Yields on Wednesday were once again unchanged as the 10-year auction was sold at a record low and Greece remained unable to forge progress in forming a coalition government. The yield on the ten year note was modestly higher on Thursday on mixed news that jobless claims were slightly better than anticipated, but JPMorgan reported an unexpected \$2 billion trading loss. Prices closed the week with a small gain on Friday as Greece's failing to form a unity government outweighed that U of M consumer confidence rose to 77.8 and was higher than the projected 76.0. Major economic reports (and related consensus forecasts) for next week include: Tuesday: April Consumer Price Index (0.0%, +2.3% YoY), April Consumer Price Index Ex Food and Energy (+0.2%, +2.3% YoY), May Empire Manufacturing (9.5) and April Advance Retail Sales (+0.2%, +0.2% excluding autos); Wednesday: April Housing Starts (685,000, +4.7% MoM), April Building Permits (728,000, -4.7% MoM), April Industrial Production (+0.6%) and April Capacity Utilization (79.0%) and minutes of FOMC meeting released; Thursday: Initial Jobless Claims (365,000) and May Philadelphia Fed Index (10.0).

| US Stocks                 |                           |                          |  |
|---------------------------|---------------------------|--------------------------|--|
| Weekly Index Performance: |                           | Market Indicators:       |  |
| DJIA:                     | 12820.60 (-217.67,-1.67%) | Strong Sectors:          | Telecom, Utilities, Health Care        |
| S&P 500:                  | 1353.39 (-15.71,-1.15%)   | Weak Sectors:            | Basic Materials, Technology, Oil & Gas |
| S&P MidCap:               | 964.52 (-0.78,-0.08%)     | NYSE Advance/Decline:    | 1,238 / 1,937                          |
| S&P Small Cap:            | 444.72 (-0.65,-0.15%)     | NYSE New Highs/New Lows: | 191 / 144                              |
| NASDAQ Comp:              | 2933.82 (-22.52,-0.76%)   | AAII Bulls/Bears:        | 25.4% / 42.1%                          |
| Russell 2000:             | 790.06 (-1.78,-0.22%)     |                          |  |

The Dow Jones Industrial Average fell for the second straight week as bearish news in Europe concerning Greece's bailout package continued to trouble investors overseas. Back home, **JPMorgan** CEO Jamie Dimon held a conference call to inform investors that the bank's investment division had lost at least \$2 billion dollars on some "poorly managed" derivative trades. This news sparked a broad sell-off in other large banks' stocks that seemed to be a bit of an overreaction. Investors choose to ignore the fact that the University of Michigan consumer sentiment index came in much stronger-than-expected, rising to its highest level since January 2008 in May. Despite the problems in Europe and at JPMorgan, the positive first-quarter earnings results trend continued. Chip maker **Nvidia** reported earnings that came in ahead of analyst estimates and raised their full year guidance which caused the stock to jump on Friday. Specialty beverage maker **Monster Beverage** reported impressive earnings that easily surpassed analysts' estimates causing the stock to jump over 9% on the news. **Cisco** warned that its biggest customers are "cautious" concerning their technology spending which led the company to forecast a disappointing upcoming quarter. Department store **Kohl's** beat analysts' estimates for the first quarter, however the company lowered their full year forecast which caused the stock to drop over 4%. **Priceline.com** reported mixed results, beating on EPS but missing on revenue estimates, which caused a 5% drop in the shares. Looking ahead to the coming week, investors will be watching for signs of inflation when the April U.S. consumer prices are released on Tuesday. **TJX Company**, **Home Depot**, **JC Penney**, **Target**, **Deere & Co**, **Wal-Mart** and **salesforce.com** are among the many companies due to report earnings this week.