

US Economy and Credit Markets			
Yields and Weekly Changes:			
3 Mo. T-Bill:	0.08 (+01 bps)	GNMA (30 Yr) 6% Coupon:	112-12/32 (1.51%)
6 Mo. T-Bill:	0.13 (+02 bps)	Duration:	3.65 years
1 Yr. T-Bill:	0.17 (unch.)	30-Year Insured Revs:	215.2 % of 30 Yr. T-Bond
2 Yr. T-Note:	0.26 (+02 bps)	Bond Buyer 40 Yield:	4.41% (+06 bps)
3 Yr. T-Note:	0.36 (+03 bps)	Crude Oil Futures:	84.40 (+1.17)
5 Yr. T-Note:	0.71 (+09 bps)	Gold Futures:	1591.80 (-28.70)
10 Yr. T-Note:	1.63 (+18 bps)	Merrill Lynch High Yield Indices:	
30 Yr. T-Bond:	2.75 (+23 bps)	BB, 7-10 Yr.:	6.36% (-06 bps)
		B, 7-10 Yr.:	7.77% (-08 bps)

Treasury yields rebounded from record lows set last week as investors bet that the U.S. economy will not slow enough to justify such low rates and that European leaders may take action towards improving the debt crisis. Most of the yield gains were concentrated early in the week with prices relatively flat Thursday and Friday. Tuesday, May ISM non-manufacturing was reported at 53.7, slightly higher than the estimate of 53.4. On Wednesday ECB President Mario Draghi indicated that policy makers are "ready to act." Also Wednesday, first quarter non-farm productivity was reported to have declined 0.90% vs. expectations of -0.80%. Thursday, China cut interest rates for the first time since 2008 while Fed Chairman Ben Bernanke said the economy is at risk from Europe's crisis, but did not discuss any immediate action. Friday, the April trade deficit was reported at \$50.1 billion against the estimate of \$49.5 billion. Major economic reports (and related consensus forecasts) for next week include: Tuesday: May Import Price Index (-1.0% MoM, -0.6% YoY), May Monthly Budget Statement (-\$125.0B); Wednesday: May PPI (-0.6% MoM, 1.2% YoY), May PPI Excluding Food & Energy (0.2% MoM, 2.8% YoY), May Advance Retail Sales (-0.2%), April Business Inventories (0.3%); Thursday: May CPI (-0.2% MoM, 1.8% YoY), May CPI Excluding Food & Energy (0.2% MoM, 2.2% YoY); Friday: June Empire Manufacturing Index (13.50), May Industrial Production (0.1%), May Capacity Utilization (79.2%), June U of M Consumer Confidence (77.5).

US Stocks			
Weekly Index Performance:		Market Indicators:	
DJIA:	12554.2 (435.63, 3.59%)	Strong Sectors:	Financials, Technology, Oil & Gas
S&P 500:	1325.66 (47.62, 3.73%)	Weak Sectors:	Consumer Goods, Utilities, Telecommunications
S&P MidCap:	925.98 (29.81, 3.33%)	NYSE Advance/Decline:	2613 / 569
S&P Small Cap:	431.02 (16.07, 3.87%)	NYSE New Highs/New Lows:	164 / 202
NASDAQ Comp:	2858.42 (110.94, 4.04%)	AAll Bulls/Bears:	27.5% / 45.8%
Russell 2000:	769.19 (31.77, 4.31%)		

Heading into Monday's opening, it appears Spain has reached some resolution on its funding crisis. Earlier in the week, Spain said the situation had reached critical levels when the country was having trouble obtaining funding. Then over the weekend, Spain secured \$126 billion in funding to shore up its banking system, a positive sign for market's this week. Thursday, equity investors looking to Chairman Bernanke for direction were disappointed, as the Chairman revealed little regarding the Fed's plans to avert a potential slowdown caused by a slowing Europe. Across the World, China cut interest rates for the first time since 2008. The country reduced interest rates by a quarter of a point in an effort to avert a slowdown in the World's second largest economy. In company specific news, natural gas company, **Chesapeake Energy**, agreed to an investor proposal to replace four members of the board of directors. The new directors will be appointed by large shareholders, Southeastern Asset Management and activist investor, Carl Icahn. Men's retailer, **Men's Wearhouse** dropped almost 19% early in the week, when it missed investor expectations for revenue and earnings. **Ulta Salon and Cosmetics** reported strong top and bottom line results during their first quarter, the stock advanced 8.42% on the announcement. Document retention provider, **Iron Mountain** also pleased investors with its announcement that it would convert to a REIT in 2014, the stock advanced almost 14%. One of last week's biggest losers was **Tempur-Pedic International**. The stock fell 48% when it reduced full year EPS guidance to \$2.70 from \$3.80 to \$3.95. Looking ahead to this week, all eyes will remain on Spain and Greece to see if they can finally make progress in aiding their banks. Sunday, Greece will head to the polls to elect a government which may decide whether the country will stay in the Euro. Finally, embattled retailer, **Best Buy** will announce earnings on Monday.