

US Economy and Credit Markets			
Yields and Weekly Changes:			
3 Mo. T-Bill:	0.09 (+01 bps)	GNMA (30 Yr) 6% Coupon:	112-16/32 (1.52%)
6 Mo. T-Bill:	0.14 (+01bps)	Duration:	3.65 years
1 Yr. T-Bill:	0.16 (unch.)	30-Year Insured Revs:	220.9 % of 30 Yr. T-Bond
2 Yr. T-Note:	0.27 (unch.)	Bond Buyer 40 Yield:	4.40% (-01 bps)
3 Yr. T-Note:	0.37 (unch.)	Crude Oil Futures:	84.04 (-0.06)
5 Yr. T-Note:	0.67 (-04 bps)	Gold Futures:	1627.30 (+37.20)
10 Yr. T-Note:	1.58 (-06 bps)	Merrill Lynch High Yield Indices:	
30 Yr. T-Bond:	2.65 (-06 bps)	BB, 7-10 Yr.:	6.29% (-08 bps)
		B, 7-10 Yr.:	7.69% (-09 bps)

Treasuries closed the week modestly higher on the long end of the curve amongst continuing evaluation of Europe's debt crisis and speculation that the Fed may bring more quantitative easing. Yields were slightly lower on Monday as investors sought the safety of US debt as Spanish and Italian bonds sunk. These small gains were wiped out on Tuesday even as 18 Spanish banks were downgraded by Fitch. The month over month import price index was reported exactly as expected. Yields were lower on Wednesday as Moody's downgraded Spain's credit rating to Baa3 from A3. Retail sales declined 0.2% as anticipated but sales ex autos and gas dropped 0.1% against the consensus 0.4% gain. Treasuries were slightly lower Thursday as the 30 year debt auction sold near record lows. The consumer price index reported in line with expectations while initial jobless claims rose to 386,000 versus the projected 375,000. Yields fell on Friday on a number of disappointing US economic data points. Empire manufacturing, industrial production, capacity utilization and U of Michigan confidence were all reported lower than expected. Major economic reports (and related consensus forecasts) for next week include: Tuesday: May Housing Starts (720,000, +0.4% MoM) and May Building Permits (730,000, +1.0% MoM); Wednesday: FOMC Rate Decision (0.25%); Thursday: Initial Jobless Claims (383,000), June Philadelphia Fed Index (0.0), May Existing Home Sales (4.56M, -1.3%), April House Price Index (+0.4%) and May Leading Indicators (0.1%).

US Stocks			
Weekly Index Performance:		Market Indicators:	
DJIA:	12767.17 (212.97, 1.70%)	Strong Sectors:	Telecommunications, Oil & Gas, Health Care
S&P 500:	1342.84 (17.18, 1.30%)	Weak Sectors:	Technology, Materials, Consumer Goods
S&P MidCap:	920.26 (-5.72, -.62%)	NYSE Advance/Decline:	1,633 / 1,526
S&P Small Cap:	430.25 (-.77, -.18%)	NYSE New Highs/New Lows:	186 / 127
NASDAQ Comp:	2872.8 (14.38, .50%)	AAll Bulls/Bears:	34.0% / 35.8%
Russell 2000:	771.32 (2.13, .28%)		

Markets were mostly up in a week dominated by headlines from Greece and Spain. The pivotal announcement occurred Sunday when it appeared that Greece's pro-bailout party, New Democracy, secured victory in the Greek elections. The New Democracy Party is expected to enact austerity measures demanded by other European nations. This should be received as a positive by global markets heading into this week, but it most likely does not solve many of the ongoing problems. In China, it was announced that home prices fell in 54 of 70 cities followed by the government in May. According to Chinese real estate search engine company, **Soufun Holdings**, home prices fell .3% to a 16 month low in China. Moving Stateside, the US economy reported disappointing retail sales for the month of May. In addition, the Michigan consumer sentiment index fell significantly. Nevertheless, markets did respond favorably during the week. In individual stocks, **Pier 1 Imports** met investor expectations earning \$.16 EPS, while producing an impressive 7.6% operating margin. **Nucor Steel** lowered Q2 guidance to a range \$.35 to \$.40 EPS from a consensus of \$.50 EPS. **WW Grainger** reported favorable sales data for the month of May. Taking out the effect of acquisitions, sales were up 8% during the previous month. **Omnicare Incorporated** announced the abrupt departure of their CEO, John Figueroa, signaling uncertainty to the market concerning the company's strategy and future. This week, markets should get a boost from the Greek elections, while investors will still be focusing on Spain and its cost of funding. **Microsoft** will make a major announcement on Monday. While the company has not revealed what it plans to unveil, many believe the company will be announcing the launch of a branded tablet. Finally, companies announcing earnings this week are **Adobe Systems**, **Jefferies Group**, **La-Z-Boy**, and **Barnes and Noble**.