

US Economy and Credit Markets			
Yields and Weekly Changes:			
3 Mo. T-Bill:	0.08 (-01 bps)	GNMA (30 Yr) 6% Coupon:	112-23/32 (1.64%)
6 Mo. T-Bill:	0.11 (unch.)	Duration:	3.76 years
1 Yr. T-Bill:	0.14 (-01 bps)	30-Year Insured Revs:	137.0% of 30 Yr. T-Bond
2 Yr. T-Note:	0.25 (unch.)	Bond Buyer 40 Yield:	4.17 (+05 bps)
3 Yr. T-Note:	0.40 (unch.)	Crude Oil Futures:	93.52 (+1.57)
5 Yr. T-Note:	0.83 (-05 bps)	Gold Futures:	1590.50 (+13.60)
10 Yr. T-Note:	1.99 (-05 bps)	Merrill Lynch High Yield Indices:	
30 Yr. T-Bond:	3.21 (-03 bps)	U.S. High Yield:	6.40% (-08 bps)
		BB:	4.90% (-05 bps)
		B:	6.48% (-10 bps)

Treasury yields were lower this week as mixed auction demand for \$66 billion in new securities was followed by lower consumer sentiment data released on Friday. Yields were generally higher Monday as the market prepared for the auctions. Yields were lower Tuesday with strong demand for \$32 billion in three-year notes and then continued lower Wednesday with a very strong 10-year auction. The strong demand for the new 10-year bonds offset selling earlier in the day as the reported 1.1% February growth in U.S. retail sales was more than two times what analysts were expecting. The Producer Price Index was also reported Wednesday in line with estimates at 0.7% higher. Long term bond prices fell on Thursday with a weak 30-year auction possibly reflecting inflation expectations amid generally better economic data. CPI was reported Thursday, increasing 0.7% in February vs. expectations of 0.5%. U of M consumer confidence fell this week to 71.8 vs. analyst expectations of 78.0 sending Treasury prices higher despite industrial production growth of 0.7% in February, beating expectations of 0.5%. Major economic reports (and related consensus forecasts) for next week include: Tuesday: February Housing Starts (915,000, 2.8% MoM), February Building Permits (923,000, 2.1% MoM); Wednesday: FOMC Rate Decision (0.25%); Thursday: March Philadelphia Fed Index (-3.0), February Existing Home Sales (5.0M, 1.6%), February Leading Indicators (0.3%).

US Stocks			
Weekly Index Performance:		Market Indicators:	
DJIA:	14514.11 (0.89%)	Strong Sectors:	Info Tech, Financials, Utilities
S&P 500:	1560.7 (0.66%)	Weak Sectors:	Telecom, Cons. Staples, Cons. Discretionary
S&P MidCap:	1141.83 (0.99%)	NYSE Advance/Decline:	1,750 / 1,430
S&P Small Cap:	531.73 (1.19%)	NYSE New Highs/New Lows:	718 / 93
NASDAQ Comp:	3249.067 (0.16%)	AAll Bulls/Bears:	45.4% / 32%
Russell 2000:	952.48 (1.11%)		

The biggest news of the past week was not the Dow hitting record highs, the stress tests performed on our nation's banks or **JP Morgan** executives appearing before Congress to discuss the London Whale trades. It was the bailout of Cyprus's banks that happened after Friday's close. In an unprecedented decision, European finance ministers have attempted to force Cypriot depositors to share in the cost by taking a haircut on their deposits. Some fear this will weaken other European banks that have already been impacted by the ongoing crisis many thought to be resolved. Prior to the weekend's news, the Dow had been on a run of gains for ten consecutive trading days, reaching an all-time high on Thursday of 14539.29, before falling Friday. The SEC leveled civil charges against the State of Illinois for misleading bond investors, alleging the state understated risks related to its underfunded pension plan. The results of the Fed's stress tests were largely good. **Bank of America** was given the go-ahead to return more cash to shareholders. The banking giant will buy back \$5 billion in stock and redeem \$5.5 billion in preferred shares, while maintaining their dividend at a penny per share. Not fairsing as well were **JP Morgan** and **Goldman Sachs**, the Fed cited weaknesses in the banks' abilities to estimate losses if undergoing severe duress. **Ulta Salon Cosmetics and Fragrance** was hit hard this week. The retailer provided weakened sales guidance, driving shares down 17.43% for the week. Shares of **E\*Trade Financial** dropped 5.7% after its largest shareholder, Citadel, announced plans to liquidate its entire position. Looking ahead to his week, the market will likely be impacted by the developing situation in Cyprus. In addition, retailer **Perry Ellis**, **Discover Financial**, **Micron Technology** and **Veeco Instruments** will all report earnings.