

US Economy and Credit Markets			
Yields and Weekly Changes:			
3 Mo. T-Bill:	0.05 (-01 bps)	GNMA (30 Yr) 6% Coupon:	113-04/32 (1.51%)
6 Mo. T-Bill:	0.08 (-01 bps)	Duration:	3.71 years
1 Yr. T-Bill:	0.11 (-01 bps)	30-Year Insured Revs:	150.3% of 30 Yr. T-Bond
2 Yr. T-Note:	0.23 (unch.)	Bond Buyer 40 Yield:	4.05 (-03 bps)
3 Yr. T-Note:	0.34 (+01 bps)	Crude Oil Futures:	87.95 (-3.34)
5 Yr. T-Note:	0.70 (+02 bps)	Gold Futures:	1395.30 (-105.7)
10 Yr. T-Note:	1.70 (-02 bps)	Merrill Lynch High Yield Indices:	
30 Yr. T-Bond:	2.88 (-03 bps)	U.S. High Yield:	6.29% (-1 bps)
		BB:	4.79% (-3 bps)
		B:	6.38% (-1 bps)

Longer dated Treasuries rallied this week as investors worried about slowing economic growth, unsettling equity markets and spurring demand for the safety of government debt. On Monday, the April Empire Manufacturing Index was reported at 3.05, missing expectations of 7.00 while a report showed Chinese growth slowed in the first quarter, causing 10 year yields to hit a four month low. On Tuesday, Treasuries slid on the heels of positive economic data. The March Consumer Price Index showed tame inflation expectations at -.2%, Housing Starts exceeded expectations, rising 7% MoM to 1036K, and Industrial Production rose .4%, double economist's expectations. The slump was short lived, as concerns about earnings and falling equity and commodity prices drove Treasuries back up for the remainder of the week. On Thursday, March Leading Indicators fell -.1% and the April Philadelphia Fed. unexpectedly dropped to 1.3, while a record government auction of \$18B in TIPS drew the weakest demand in 4 years. Treasuries fell slightly on Friday, but still closed out the week lower as the Group of 20 endorsed Japanese stimulus measures and stated the Europe had made progress in stabilizing the Euro. Major economic reports (and related consensus forecasts) for next week include: Monday: March Existing Home Sales (5M); Tuesday: March New Home Sales (416K), February House Price Index (.7% MoM); Wednesday: March Durable Goods Orders (-3%), Durable Goods Orders Ex-Trans. (.5%); Friday: Q1 GDP QoQ (annualized) (3.1%), Q1 Personal Consumption (2.8%), Q1 GDP Price Index (1.3%), April U. of Michigan Confidence (73.5).

US Stocks			
Weekly Index Total Return:		Market Indicators:	
DJIA:	14,547.51 (-2.1%)	Strong Sectors:	Telecom, Utilities, Consumer Staples
S&P 500:	1,555.25 (-2.1%)	Weak Sectors:	Info Tech, Energy, Industrials
S&P MidCap:	1,121.30 (-2.4%)	NYSE Advance/Decline:	920/ 2,258
S&P Small Cap:	510.86 (-3.0%)	NYSE New Highs/New Lows:	293/ 146
NASDAQ Comp:	3,206.06 (-2.7%)	AAll Bulls/Bears:	26.9%/ 48.2%
Russell 2000:	912.5 (-3.2%)		

Equities lost ground for the week due to slower-than-expected Chinese GDP growth, a negative reading for the index of U.S. leading indicators, and lack luster corporate profits. However, positive industrial production and housing starts data provided a marginal boost to investor sentiment. Technology shares continued to sell-off as earnings reports are reflecting weak IT spending. **International Business Machines Corp.** slumped after reporting disappointing hardware and software sales. **Cirrus Logic Inc.**, an **Apple Inc.** supplier, sent both companies' shares tumbling after pre-announcing disappointing earnings and an inventory overhang. **Google Inc.**, a bright spot in technology, gained after announcing strong search growth and a lower cost-per-click decline than last quarter. Financial shares also posted some of the largest losses for the week as expense controls were the main driver of improved bank profitability. Both **Morgan Stanley** and **Bank of America Corp.** reported disappointing fixed-income trading revenue as both banks try to curtail risk. **Citigroup Inc.** outperformed its peers on better-than-expected fixed-income and investment banking revenues. Consumer staples continued to be a bright spot for investors. **PepsiCo Inc.** surged after beating estimates on higher sales of snacks. Despite net income falling 15%, **Coca-Cola Co.** also jumped after revealing a deal to sell bottling distribution rights. Looking ahead to next week, earnings season and the U.S. first-quarter GDP number, released on Friday, will be key market drivers. **Apple Inc.**, **Halliburton Co.**, **Caterpillar Inc.** and **Illinois Tool Works Inc.** are set to report earnings next week.