

US Economy and Credit Markets			
Yields and Weekly Changes:			
3 Mo. T-Bill:	0.03 (-01 bps)	GNMA (30 Yr) 6% Coupon:	111-22/32 (1.87%)
6 Mo. T-Bill:	0.06 (-01 bps)	Duration:	3.76 years
1 Yr. T-Bill:	0.13 (+03 bps)	30-Year Insured Revs:	137.2% of 30 Yr. T-Bond
2 Yr. T-Note:	0.30 (+05 bps)	Bond Buyer 40 Yield:	4.27 (+10 bps)
3 Yr. T-Note:	0.49 (+08 bps)	Crude Oil Futures:	91.64 (-2.51)
5 Yr. T-Note:	1.02 (+13 bps)	Gold Futures:	1387.50 (+0.90)
10 Yr. T-Note:	2.13 (+13 bps)	Merrill Lynch High Yield Indices:	
30 Yr. T-Bond:	3.28 (+11 bps)	U.S. High Yield:	6.35% (+22 bps)
		BB:	4.93% (+20 bps)
		B:	6.44% (+21 bps)

Treasury prices dropped significantly over the shortened week despite the selloff in equities due to speculation that the Federal Reserve will slow the pace of its bond purchases. Strong housing data from the S&P Case-Shiller index on home prices combined with Monday's much higher than expected Consumer Confidence number to cause the equity markets to rally. Investors believe this may be a sign of an economy that has improved to the point where the Federal Reserve may try to increase interest rates with fewer bond purchases. The yield on Treasuries for Monday's 2-year note auction was the highest since January due to weaker demand, especially from domestic bidders. However, Treasury prices rebounded the next two days during a 5-year note auction on stronger demand. Investors sold equities for safer Treasuries as GDP was lower than expected and Initial Jobless claims were higher than expected. On Friday, equities dropped significantly on poor economic news Personal Income and Personal Spending. However, despite the drop in equities, Treasuries also dropped anyway due to increasing concern that the Federal Reserve will taper bond purchases on positive economic data in the future. A rise in Chicago PMI and U. of Michigan Consumer Confidence also had a negative effect on Treasury prices. Major economic reports (and related consensus forecasts) for the upcoming holiday shortened week include: Monday: May ISM Manufacturing (50.5); Wednesday: April Factory Orders (1.5%); Thursday: Jun 1 Initial Jobless Claims (347,000); Friday: May Change in Nonfarm Payrolls (165,000), May Unemployment Rate (7.5%).

US Equities			
Weekly Index Performance:		Market Indicators:	
DJIA:	15,115.57 (-1.19%)	Strong Sectors:	Information Technology, Financials, Industrials
S&P 500:	1,630.74 (-1.11%)	Weak Sectors:	Telecom Services, Cons Staples, Utilities
S&P MidCap:	1,184.32 (-0.26%)	NYSE Advance/Decline:	896/ 2,277
S&P Small Cap:	551.98 (-0.18%)	NYSE New Highs/New Lows:	408/ 224
NASDAQ Comp:	3,455.91 (-0.08%)	AAll Bulls/Bears:	36.0% / 29.6%
Russell 2000:	984.12 (+0.02%)		

The S&P 500 Index closed the Memorial Day week down 1.11%, the second worst week of 2013. It was also the second consecutive week of negative performance following the previous weeks' -1.04% return, the third worst performance of 2013. The U.S. markets were closed on Monday in observance of Memorial Day. Tuesday started out strong and climbed higher early in the day on news of increased consumer confidence and rising home price data. Stocks ended the day up 0.64%. Wednesday however opened down and continued to slide to eliminate the gains from the previous day's trading. Thursday pushed the index higher on the open with expectations the central bank stimulus measures would continue after higher than expected jobless numbers and a downward revision to 1<sup>st</sup> quarter GDP. US initial jobless claims came in at 354K. This was an increase from the previous week's number of 340K and the consensus of 340K. Friday declined 1.43% as positive business activity and consumer confidence data fueled speculation of lower bond purchases in the future by the Federal Reserve. University of Michigan Survey of Consumer Confidence Sentiment came in at 84.5, the strongest since July 2007. While the S&P 500 Index lost 2.14% in the previous two weeks, the index was still able to maintain its positive performance for the month of May with a 2.34% return. Eight of the ten economic sectors had negative performance for the week. The information technology sector was the best performing sector with a 0.60% return. Financials was the only other sector in positive territory with a 0.54% return followed by a -0.50% return for industrials. Telecom service's -4.95% return was the worst performance of all the sectors and was followed by consumer staples and utilities which returned -3.95% and -2.99%, respectively. **Newmont Mining Corp.**, a precious metal mining company, turned in the best performance in the S&P 500 Index with a 7.23% gain. The next two best performers were **CareFusion Corp.** and **Morgan Stanley** with returns of 6.80% and 6.37% respectively. This week will bring earnings news from companies such as **SAIC Inc.**, **Dollar General Corp.**, **Brown-Forman Corp.** and **The JM Smucker Co.**