

US Economy and Credit Markets			
Yields and Weekly Changes:			
3 Mo. T-Bill:	0.02 (-01 bps)	GNMA (30 Yr) 6% Coupon:	109-26/32 (2.56%)
6 Mo. T-Bill:	0.07 (unch.)	Duration:	3.69 years
1 Yr. T-Bill:	0.10 (-01 bps)	30-Year Insured Revs:	145.5% of 30 Yr. T-Bond
2 Yr. T-Note:	0.30 (-04 bps)	Bond Buyer 40 Yield:	5.02 (+07 bps)
3 Yr. T-Note:	0.58 (-09 bps)	Crude Oil Futures:	108.47 (+2.52)
5 Yr. T-Note:	1.30 (-12 bps)	Gold Futures:	1295.60 (+18.00)
10 Yr. T-Note:	2.49 (-10 bps)	Merrill Lynch High Yield Indices:	
30 Yr. T-Bond:	3.56 (-07 bps)	U.S. High Yield:	6.49% (-26 bps)
		BB:	5.12% (-23 bps)
		B:	6.57% (-25 bps)

Treasury prices were higher this week as declines in equity markets and speculation that the Fed would announce new measures of quantitative easing next week kept demand for government debt in place. On Monday, prices fell and 30 year yields hit their highest level in over a year when Standard & Poor's announced it was raising the credit outlook for the United States as fiscal risks begin to decline. On Tuesday, treasuries rallied for the first time in 3 days as the highest yields in 14 months on 30 year bonds attracted investors to the debt. However, in the next trading session, yields jumped again after a U.S. auction of \$21B in 10 year notes drew the weakest demand since last August. On Thursday, May advance retail sales were reported at .6%, beating expectations for a .4% increase, causing equities to rally, while speculation that the Fed would take additional measures to continue its quantitative easing program sent treasuries higher as well. On Friday, the IMF cut its 2014 forecast for growth in the U.S. to 2.7% from 3%, June Consumer Confidence fell to 82.7 from 84.5 in the previous month, and reports showed that May Industrial Production was flat against expectations for a .2% increase, which caused Treasuries to rally. Major economic reports (and related consensus forecasts) for next week include: Monday: June Empire Manufacturing (0.0); Tuesday: May Consumer Confidence (.2% MoM), May Housing Starts (950k/11.4% MoM) and Building Permits (975K, -3% MoM), and May CPI (.2% MoM); Thursday: May Existing Home Sales (5M/.6% MoM) and May Leading Indicators (.2%);

US Stocks			
Weekly Index Performance:		Market Indicators:	
DJIA:	15543.74 (0.57%)	Strong Sectors:	Industrials, Energy, Utilities
S&P 500:	1692.09 (0.73%)	Weak Sectors:	Telecom, Cons. Discretionary, Info Tech
S&P MidCap:	1234.25 (1.08%)		
S&P Small Cap:	590.25 (1.1%)	NYSE Advance/Decline:	2,029 / 1,141
NASDAQ Comp:	3587.615 (-0.34%)	NYSE New Highs/New Lows:	586 / 61
Russell 2000:	1050.48 (1.35%)	AAll Bulls/Bears:	47.7% / 21.3%

The Dow closed at a record high on Thursday before making a small retreat Friday. The S&P 500 reached new heights, closing at a record high on Friday of 1692.09. The financial sector continued to strengthen. Banks reporting earnings last week were **Morgan Stanley**, **Bank of America** and **Citi**. None of the three banks failed to impress investors, all beating expectations. While many expected Morgan Stanley to beat earnings expectations, many did not expect the investment bank to announce a share repurchase plan of \$500 million. The stock gained 5.6% for the week. Also big winners were Brian Moynihan and Bank of America. The company reported EPS growth of 68.4%, shares advanced more than 7% in the previous five trading days. Wrapping up banks, Citi beat the Street's expectations of \$1.00 EPS, earning \$1.25. Shares rose just over 3% last week. Unfortunately, technology companies could not share the same success. **Microsoft** fell almost 12% last week after announcing significant charges related to the launch of the Surface tablet. In addition, the company missed sales expectations by more than a billion dollars. On Wednesday, **IBM** reported better than expect earnings sending the shares up more than 3%. While the company beat on bottom-line forecasts, the company's sales fell more than 3% compared to the same quarter from the previous year. Disappointing investors was auction website, **eBay**. While the company met earnings expectations Friday, management offered lower earnings guidance of \$.61 to \$.63 cents per share for the current quarter. The company's shares dropped 8.5% last week. Looking ahead to the middle of earnings season, **McDonald's**, **Boeing**, **Ford**, **Gannett**, **Netflix**, **Caterpillar**, **Apple**, **Facebook**, **Visa**, and **Harley Davidson** will all report earnings.