US Economy and Credit Markets

Yields and Weekly Changes:

3 Mo. T-Bill:	0.05 (unch.)	GNMA (30 Yr) 6% Coupon:	111-30/32 (1.64%)
6 Mo. T-Bill:	0.08 (unch.)	Duration:	3.65 years
1 Yr. T-Bill:	0.12 (unch.)	30-Year Insured Revs:	149.58 % of 30 Yr. T-Bond
2 Yr. T-Note:	0.34 (-03 bps)	Bond Buyer 40 Yield:	4.77 (-08 bps)
3 Yr. T-Note:	0.74 (-03 bps)	Crude Oil Futures:	98.97 (-3.61)
5 Yr. T-Note:	1.53 (-11 bps)	Gold Futures:	1,382.50 (+44.30)
10 Yr. T-Note:	2.65 (-14 bps)	Merrill Lynch High Yield Indices:	
30 Yr. T-Bond:	3.59 (-13 bps)	U.S. High Yield:	6.19% (+03 bps)
		BB:	4.84% (+02 bps)
		B:	6.18% (+03 bps)

Treasury prices soared over the course of the week on global risk aversion as equities tumbled. Treasury prices inched up slightly on Monday before gaining significantly on Tuesday despite disappointing demand for a 3-year auction. This was because investors sold off riskier equities on escalating concerns from the Crimean region. After climbing on a strong 10-year auction on Wednesday, Treasury prices rose considerably on Thursday on more geopolitical fears. The U.S. and other western nations warned Russia that an annexation of Crimea, which is what this weekend's referendum is being viewed as, would have international consequences. This sent the equity markets tumbling as investors seek safer Treasury assets. Also, there were more concerns about a slowdown in China's economic growth, which added to the risk-adverse trade. These concerns also caused gold to rise 3.3% and oil to fall 3.5%. The producer price index also had a slight rise when economics forecasted a slight drop. Major economic reports (and related consensus forecasts) for the upcoming week include: Monday: March Empire Manufacturing (6.75), February Industrial Production (0.2% MoM); Tuesday: February Consumer Price Index (0.1% MoM), February Housing Starts (913,000); Wednesday: March Fed QE3 Pace ($55B), March 19 FOMC Rate Decision (0.25%); Friday: March Initial Jobless Claims (325,000), February Existing Home Sales (0.0% MoM), February Leading Index (0.2%).

US Equities

Weekly Index Performance:		Market Indicators:	
DJIA:	16,065.67 (-2.35%)	Strong Sectors:	Utilities, Consumer Staples, Telecom
S&P 500:	1,841.13 (-1.97%)		
S&P Midcap:	1,364.10 (-1.79%)	Weak Sectors:	Industrials, Financials, Consumer Discretionary
S&P Smallcap:	669.63 (-1.70%)		
NASDAQ Comp:	4,245.4 (-2.09%)	NYSE Advance/Decline:	1,196/ 2,006
Russell 2000:	1,181.41 (-1.82%)	NYSE New Highs/New Lows:	240/ 90
		AAII Bulls/Bears:	41.3% / 26.8%

After setting a record high last week, the S&P 500 fell as tensions in Ukraine and weak Chinese economic data trumped an improving American economy. While the U.S. equity markets have mainly overlooked tensions between Russia and Ukraine to date, increased pressure of sanctions by the U.S. and European Union on Russia added to market uncertainty. Adding to global fears, Chinese growth was weaker-than-expected as industrial output, investment and retail-sales all missed economic estimates. U.S. economic data points were mainly positive with February retail sales increasing for the first time in three months, even though snow storms and colder-than-normal temperatures persisted. In addition to strong retail sales, the number of Americans filing for unemployment benefits dropped more than expected last week. Turning to stock news, **McDonald's Corp.** gained after announcing plans to reduce operating costs and increase cash returned to investors through additional debt. Teen retailers continued to struggle as **American Eagle Outfitters Inc.** issued weak guidance due to the harsh weather conditions and **Urban Outfitters, Inc.** reported a 4.5% decrease in same store comparable sales. In addition, **Aeropostale Inc.** fell 20% on Friday after announcing mounting losses, increasing investors' concern of a potential cash crunch. **Ulta Salons** jumped after guiding to mid-teen bottom line growth for 2014. Looking ahead, Crimea's referendum vote Sunday on whether or not annex from Ukraine and Russia's response to the vote will likely affect the market's risk appetite in the near term. We view the near term sell-off as a buying opportunity as corporate balance sheets remain flush with cash and the U.S. recovery continues to accelerate, despite emerging market weakness.