

US Economy and Credit Markets			
Yields and Weekly Changes:			
3 Mo. T-Bill:	0.03 (+01 bps)	GNMA (30 Yr) 6% Coupon:	112-09/32 (1.71%)
6 Mo. T-Bill:	0.05 (+01 bps)	Duration:	3.66 years
1 Yr. T-Bill:	0.09 (-01 bps)	30-Year Insured Revs:	152.6 % of 30 Yr. T-Bond
2 Yr. T-Note:	0.39 (-03 bps)	Bond Buyer 40 Yield:	4.56 (-05 bps)
3 Yr. T-Note:	0.86 (-01 bps)	Crude Oil Futures:	100.04 (+.28)
5 Yr. T-Note:	1.63 (-03 bps)	Gold Futures:	1288.80 (-14.1)
10 Yr. T-Note:	2.62 (+04 bps)	Merrill Lynch High Yield Indices:	
30 Yr. T-Bond:	3.46 (+10 bps)	U.S. High Yield:	6.01% (-03 bps)
		BB:	4.68% (-04 bps)
		B:	6.02% (-03 bps)

Treasury movements were mixed this week as the yield curve steepened the most since September amid mixed economic data and a speech by Janet Yellen affirming a commitment to gradual increases in interest rates. On Monday, yields spiked when reports showed that service industries expanded at their fastest pace in eight months. The April ISM Non-Manf. Composite was reported at 55.2, ahead of estimates for a 54 reading, and Markit US PMIs also showed expansion. On Tuesday, the March Trade Balance was reported at \$-40.4B, and Treasuries rose ahead of a speech by Janet Yellen planned for Wednesday. In that speech, Yellen stated that a "high degree" of accommodation would be needed, tempering investor's expectations for any accelerated time table for interest rate increases. On Thursday, long term Treasuries fell and shorter term Treasuries gained as a government auction of \$16B in 30 year debt drew weak demand. On Friday, the spread between long and short dated government debt continued to widen as March wholesale inventories were reported to have risen 1.1% vs. .5% expectations. Major economic reports (and related consensus forecasts) for the upcoming week include: Monday: April Monthly Budget Statement (\$114B); Tuesday: April Advance Retail Sales (+.4% MoM) and April Import Price Index (+.3% MoM); Wednesday: April PPI Final Demand (+.2%) and PPI Ex Food & Energy (+1.4% YoY); Thursday: May Empire Manufacturing (6.00), April CPI (+.3% MoM), April Industrial Production (+0%), and April Capacity Utilization (79.1%); Friday: April Housing Starts (918K, +3.7% MoM), Building Permits (1014K, +1.7% MoM), and Univ of Michigan Confidence (84.5).

US Equities			
Weekly Index Performance:		Market Indicators:	
DJIA:	16,583.34 (0.56%)	Strong Sectors:	Telecom, Consumer Staples, Materials
S&P 500:	1,878.48 (-0.05%)	Weak Sectors:	Consumer Discretionary, Utilities, Information Tech.
S&P Midcap:	1,353.79 (-0.54%)	NYSE Advance/Decline:	1,527 / 1,693
S&P Smallcap:	642.69 (-1.50%)	NYSE New Highs/New Lows:	322 / 137
NASDAQ Comp:	4,071.87 (-1.18%)	AAll Bulls/Bears:	28.3% / 28.7%
Russell 2000:	1,107.22 (-1.89%)		

The Dow Jones Industrial Average closed the week at an all-time high of 16,583.34. Large-cap stocks performed better this week than their mid or small cap counterparts. The S&P 500 Large-cap index had a -0.05% return, while the S&P 400 Mid-cap index returned -0.54% and the S&P 600 Small-cap returned -1.50%. Internationally, China announced that manufacturing contracted for the fourth month in a row. Political tensions between Russia and Ukraine continued to escalate earlier in the week. However, Thursday and Friday presented a potential turning-point in the crisis, when Mr. Putin urged pro-Russian factions to postpone political referendums and called for troops to pull back from the border. U.S. quarterly corporate earnings season is coming to a close as 451 of the S&P 500 constituents have announced their earnings. Of the 451 announcements, nearly 76% have beaten analyst estimates for earnings while 53% have surpassed analyst estimates for revenue. Earnings have grown 5.5% and sales nearly 3% from the same quarter last year. **DirectTV** was up over 10% for the week as persistent rumors that **AT&T Inc.** could be acquiring the satellite television provider sent shares soaring. **Whole Foods Market Inc.** announced they were cutting their fiscal year forecasts citing increasing competition and a need to lower prices to stay competitive in the organic food space, the stock tumbled over 18% on the news. **Tesla Motors Inc.** dropped over 11% on news that their R&D costs will rise 30% in the next quarter and that battery supply will continue to constrain their production but should improve in the 3rd quarter. **Apple Inc.** closed above \$600 a share on Tuesday for the first time since October of 2012. Friday, the Apple rumor mill was swirling that they might acquire **Beats Electronics LLC.** for \$3.2b. We remain positive on U.S. equities as corporate profits continue to be strong, employment continues to improve and overall valuations remain attractive.