

US Economy and Credit Markets			
Yields and Weekly Changes:			
3 Mo. T-Bill:	0.03 (unch.)	GNMA (30 Yr) 6% Coupon:	112-19/32 (1.54%)
6 Mo. T-Bill:	0.07 (+02 bps)	Duration:	3.60 years
1 Yr. T-Bill:	0.10 (+01 bps)	30-Year Insured Revs:	154.84% of 30 Yr. T-Bond
2 Yr. T-Note:	0.45 (+05 bps)	Bond Buyer 40 Yield:	4.56 (+01 bps)
3 Yr. T-Note:	0.93 (+10 bps)	Crude Oil Futures:	106.77 (+4.11)
5 Yr. T-Note:	1.69 (+05 bps)	Gold Futures:	1,273.70 (+21.6)
10 Yr. T-Note:	2.60 (+01 bps)	Merrill Lynch High Yield Indices:	
30 Yr. T-Bond:	3.41 (-02 bps)	U.S. High Yield:	5.78% (-03 bps)
		BB:	4.60% (-03 bps)

The yield curve flattened during the week as geopolitical risk increased appetite for the safety of bonds but Friday remarks by the Bank of England Governor Mark Carney reduced demand for bonds with shorter holding periods. Mr. Carney said strengthening economic conditions may provide impetus for raising rates sooner than expected. This caused Treasuries to weaken as the move may compel the Federal Reserve to behave similarly. Oil posted strong gains this week as geopolitical risk is causing supply worries. Wednesday's week-over-week US MBA Mortgage Applications increased 10.3% as financing new home purchases or refinancing existing loans continues becoming more attractive as yields continue to fall. Refinancing activity made up 53.6 percent of the prior week Mortgage Application activity. May Retail Sales disappointed versus expectations on Thursday and only advanced .3% month-over-month but April Retail Sales were revised up .5%, which was higher than expectations. Also released, were prior week initial jobless claims which were 317,000 versus an expected 310,000. The Federal Reserve is scheduled to meet next week. Lastly, on Friday, consumer confidence showed weakness as the University of Michigan Survey was 81.2 but expected to be 83. Major economic reports (and related consensus forecasts) for the upcoming week include: Monday: June Empire Manufacturing Report (15.00) and May Industrial Production (.5% MoM); Tuesday: CPI (.2% MoM) and May Housing Starts (1.03M, -42K); Wednesday: MBA Mortgage Applications, Federal Reserve QE3 Pace (35B, -10B), Federal Reserve Rate Decision (.25%, unch.); Friday: Initial Jobless Claims (313K, -4K WoW) and the May Leading Index (.6%, +.2%).

US Stocks			
Weekly Index Performance:		Market Indicators:	
DJIA:	16775.74 (-0.84%)	Strong Sectors:	Energy, Telecom, Info Tech
S&P 500:	1936.16 (-0.63%)	Weak Sectors:	Cons. Discretionary, Industrials, Utilities
S&P MidCap:	1402.38 (-0.52%)	NYSE Advance/Decline:	1,302 / 1,910
S&P Small Cap:	667.29 (-0.54%)	NYSE New Highs/New Lows:	492 / 41
NASDAQ Comp:	4310.653 (-0.22%)	AAll Bulls/Bears:	44.7% / 21.3%
Russell 2000:	1162.68 (-0.17%)		

Last week, US Indexes took a step back with the S&P 500 losing .84%, down from its all-time closing high of 1,951.27 on June 6<sup>th</sup>. Still the S&P has returned 5.75% year-to-date and is trading at a 17.79 P/E multiple with a dividend yield of 1.93%. Pharmaceutical maker, **Valeant**, once again saw their hostile offer for rival, **Allergan**, spurned. The combined team of Valeant and Pershing Square, have submitted three offers for Allergan seeing all of their overtures denied by Allergan management. While Valeant was unsuccessful in their bid, there were three successful mergers announced last week. **Tyson Foods** saw its offer accepted for **Hillshire Foods**. Tyson had been locked in a bidding war for Hillshire with **Pilgrim's Pride** and agreed to pay \$63/share, \$8 more than Pilgrim's offer. Also agreeing to be acquired was online restaurant reservation provider, **OpenTable**. **Priceline Group** agreed to acquire the company for \$103 share, valuing the company at more than \$2.4 billion. Shares in OpenTable rose nearly 48% last week. **Merck Pharmaceuticals** was successful in its effort to acquire, Idenix Pharmaceuticals. Merck seeks to expand its Hepatitis C business by acquiring the Idenix's yet-to-be approved treatment for the disease. Merck's offer of \$24.50/share represents a pre-offer premium of nearly 290%. Looking ahead to next week, on Monday, the People's Bank of China will lower the cash reserves requirements for banks in an offer to boost lending. Companies reporting earnings include **Oracle**, **Kroger** and **Red Hat**.