

US Economy and Credit Markets			
Yields and Weekly Changes:			
3 Mo. T-Bill:	0.01 (-01 bps)	GNMA (30 Yr) 6% Coupon:	112-12/32 (1.71%)
6 Mo. T-Bill:	0.04 (-03 bps)	Duration:	3.60 years
1 Yr. T-Bill:	0.08 (-02 bps)	30-Year Insured Revs:	153.93% of 30 Yr. T-Bond
2 Yr. T-Note:	0.46 (+01 bps)	Bond Buyer 40 Yield:	4.56 (+01 bps)
3 Yr. T-Note:	0.93 (unch.)	Crude Oil Futures:	107.26 (+.35)
5 Yr. T-Note:	1.68 (-01 bps)	Gold Futures:	1316.20 (+42.5)
10 Yr. T-Note:	2.60 (unch.)	Merrill Lynch High Yield Indices:	
30 Yr. T-Bond:	3.43 (+02 bps)	U.S. High Yield:	5.70% (-08 bps)
		BB:	4.54% (-06 bps)
		B:	5.78% (-08 bps)

The Treasury market moved in a mixed fashion this week and the 30 year bond ultimately fell as investors worried about increasing inflation. On Monday two and ten year spreads narrowed when the IMF reduced its outlook for the U.S. economy in 2014. The IMF forecast notwithstanding, economic reports showed June Empire manufacturing was reported at 19.58, May Industrial Production rose .6%, and Capacity Utilization increased to 79.1% - all ahead of expectations. On Tuesday, Treasuries fell when the May CPI increased .4% MoM ahead of a .2% expectation, stoking fears of inflation and putting pressure on Treasury debt. The next day, Federal Reserve Chairman Janet Yellen sought to allay inflation concerns, stating that "inflation continued to run below the committee's 2% objective" and that she expects interest rates to stay low for "a considerable time". The Federal Reserve also did not alter rates but slightly cut the pace of quantitative easing, Treasury purchases, and MBS purchases, as expected. On Thursday, the 30 year bond fell the most in 3 months after an auction of TIPS securities drew a higher than forecast yield, indicating that increasing inflation is becoming a bigger concern for investors. Reports also showed May Leading Indicators rose .5%, just missing expectations. Treasuries traded sideways on Friday amid light news flow and ended the week lower on the long end of the curve. Major economic reports (and related consensus forecasts) for the upcoming week include: Monday: May Existing Home Sales (4.74M, + 1.9% MoM); Tuesday: June Consumer Confidence (83.5), May New Home Sales (440k, +1.6% MoM); Wednesday: May Durable Goods Orders (-.2%), 1QT GDP Annualized (-1.8%), and 1QT Personal Consumption (2.5%); Thursday: May Personal Income and Spending (+.4% for both); Friday: June Univ. of Michigan Confidence (82).

US Equities			
Weekly Index Performance:		Market Indicators:	
DJIA:	16,947.08 (1.03%)	Strong Sectors:	Utilities, Energy,
S&P 500:	1,962.87 (1.40%)		Health Care
S&P Midcap:	1,425.36 (1.65%)	Weak Sectors:	Information Tech., Telecom.,
S&P Smallcap:	679.59 (1.86%)		Cons. Discretionary
NASDAQ Comp:	4,368.04 (1.33%)	NYSE Advance/Decline:	2,243 / 973
Russell 2000:	1,188.43 (2.24%)	NYSE New Highs/New Lows:	574 / 51
		AAll Bulls/Bears:	35.2% / 24.1%

Equity markets continued to soar as the Dow Jones Industrial Average and the S&P 500 closed at all-time highs on Friday. Equity momentum was aided by the Federal Reserve, as they stated that economic growth is bouncing back and reiterated rates would remain low for a prolonged period of time. Thursday, the U.S. economic leading indicators rose for the fourth straight month in May, confirming the Federal Reserve's view that economic growth is bouncing back. Despite positive domestic news, geopolitical risk in Iraq continues to grow as the radical I.S.I.S. group advances along the main highway from Mosul to Baghdad. On Thursday, President Obama said he is sending as many as 300 military advisors to assist the Iraqi army, but limited the odds of more involved military options. This week, corporate merger and acquisition activity sustained equity market headlines. **Coviden PLC** rose over 20% with news **Medtronic Inc.** agreed to buy the medical equipment manufacturer for nearly \$43b. **William Cos.** surged 19% after an agreement to buy control of **Access Midstream Partners LP** for \$6b. **Level 3 Communications** agreed to buy **TW Telecom Inc.** for over \$7b. **Fusion-io Inc.** soared over 20% as **SandDisk Corp.** agreed to purchase the company in a \$1.1b all-cash deal. In other news, **Blackberry** rallied this week as the smartphone maker reported a narrower loss than analysts had estimated. **FedEx Corp.** rallied over 5% this week, as they announced earnings that exceeded analyst estimates and the company increased full year guidance. **Adobe Systems Inc.** jumped over 8% as the software maker announced earnings above estimates because of their online solutions attracting customers faster than projected. We continue to be constructive on equities as economic growth improves, the Federal Reserve remains accommodative and valuations remain in check.