US Economy and Credit Markets

Yields and Weekly Changes:

3 Mo. T-Bill:	0.01 (+01 bps)	GNMA (30 Yr) 6% Coupon:	114-09/32 (1.26%)
6 Mo. T-Bill:	0.08 (unch.)	Duration:	3.73 years
1 Yr. T-Bill:	0.20 (-03bps)	Bond Buyer 40 Yield:	4.43 (+05 bps)
2 Yr. T-Note:	0.58 (-02 bps)	Crude Oil Futures:	59.25 (-0.04)
3 Yr. T-Note:	0.90 (-03 bps)	Gold Futures:	1225.30 (+36.4)
5 Yr. T-Note:	1.46 (-04 bps)	Merrill Lynch High Yield Indices:	
10 Yr. T-Note:	2.14 (-01 bps)	U.S. High Yield:	
30 Yr. T-Bond:	2.93 (-03 bps)	BB:	4.90% (-01 bps)
		B:	6.68% (-02 bps)

U.S Treasury debt prices fluctuated throughout the week before recovering on Friday as yields on sovereign debt continued to increase. U.S. Treasury bonds fell Monday after a two-day price rally, sending the yield on the benchmark 10-year note to the highest closing level in more than five months. U.S. Treasury prices rose on Tuesday and eliminated an earlier selloff. On Wednesday, a selloff of German debt offset a disappointing U.S retail sales report sending the yield of the benchmark 10-year note to the highest level in over 5 months. Bonds strengthened on Thursday as initial jobless claims unexpectedly fell to the lowest point in 15 years. Treasury prices continued to rise on Friday after an unexpected decline in consumer sentiment and week factory data. Major economic reports (and related consensus forecasts) for the upcoming week include: Monday: April Housing Starts (1020k); Tuesday: May 15 MBA Mortgage Applications; Wednesday: May 16 Initial Jobless Claims (270K), May Markit US Manufacturing PMI (54.5), April Existing Home Sales (5.42M), April Leading Index (0.3%); Friday: April CPI (0.1% MoM).

US Equities

Weekly Index Performance:		Market Indicators:	
DJIA:	18,727.56 (0.56%)	Strong Sectors:	Cons. Staples, Health Care, Info. Tech.
S&P 500:	2,122.73 (0.38%)		
S&P Midcap:	1,531.28 (0.86%)	Weak Sectors:	Energy, Materials, Financials
S&P Smallcap:	715.08 (0.70%)		
NASDAQ Comp:	5,048.29 (0.92%)	NYSE Advance/Decline:	1,883 / 1,323
Russell 2000:	1,243.95 (0.77%)	NYSE New Highs/New Lows:	198 / 118
		AAII Bulls/Bears:	26.7% / 26.4%

The S&P 500 closed Friday with a value of 2,122, an all-time high for the index. Friday's close marks the seventh time this year an all-time high has been set for the S&P 500. Merger Monday started off with a thud when **Noble Energy Inc.** announced that they were acquiring **Rosetta Resources Inc.** for nearly $4b in stock, equity markets did not like the pairing as NBL sank over 8.6%. However, the markets received news that **On Assignment Inc.** was buying online staffing firm **Creative Circle LLC** for $570m in cash, which spurred a 15% rally in ASGN. The Wall Street Journal reported that **Danaher Corp.** was going to acquire **Pall Corp.** for nearly $14b in cash. Then Merger Monday spilled over into Merger Tuesday when **Verizon Wireless Inc.** announced plans to buy **AOL Inc.** for $4b in cash, the share price of VZ moved little on the news. Before the 1Q earnings season started, Bloomberg reported that the analyst earnings projections would be 5.8% lower than last quarter among members of the S&P 500. Now Bloomberg is reporting that members of S&P 500 are on track to report 0.2% earnings growth for the quarter. **Actavis Plc**. rallied over 3% on Monday, as the pharmaceutical giant reported earnings and revenue ahead of estimates. **Rackspace Hosting Inc.** tumbled over 13% as they announced projected sales below analyst expectations. Wednesday, **Macy's Inc.** reported earnings that were in line with estimates but weaker than expected sales sending their share price down over 3%. Thursday, **Kohl's Corp.** saw its shares fall 13% as they too reported weaker than expected sales. We will learn more about the strength of retail sales next week as **Target Inc.**, **Best Buy Inc.**, **Lowe's Cos Inc.**, **The Home Depot Inc.**, **Wal-Mart Stores Inc.** and **The Gap Inc.** are expected to announce quarterly earnings. In general we remain constructive on the equity markets as first quarter earnings was better than initially projected and economic data has softened a bit, which will likely mean the Fed will keep in place their current easy policy.