

US Economy and Credit Markets			
3 Mo. T-Bill:	0.31 (+04 bps)	GNMA (30 Yr) 6% Coupon:	112-11/32 (2.00%)
6 Mo. T-Bill:	0.44 (+08 bps)	Duration:	3.85 years
1 Yr. T-Bill:	0.63 (+10 bps)	Bond Buyer 40 Yield:	3.89 (+01 bps)
2 Yr. T-Note:	0.88 (+13 bps)	Crude Oil Futures:	47.75 (+1.54)
3 Yr. T-Note:	1.04 (+14 bps)	Gold Spot:	1,252.90 (-19.8)
5 Yr. T-Note:	1.36 (+16 bps)	Merrill Lynch High Yield Indices:	
10 Yr. T-Note:	1.84 (+14 bps)	U.S. High Yield:	7.89% (-07 bps)
30 Yr. T-Bond:	2.63 (+08 bps)	BB:	5.55% (-01 bps)
		B:	7.73% (-06 bps)

Treasuries fell for the week and recorded their largest weekly loss of the year as Federal Reserve officials suggested a possible June interest-rate increase on the back of strong economic conditions. The market did not consider a June rate increase probable and there was a pronounced move in the probability of a potential June interest rate increase. As indicated by futures trades, the market was pricing in a 5% chance of a Federal Fund Rate increase at the start the week but a nearly 30% chance at the end of the week. Crude Oil continued to trade higher as a result of supply concerns related to Nigeria, Libya and the wildfires in Canada. On Wednesday, the Industrial Production numbers topped expectations increasing .7% for April versus an expected increase of .3%. Utilization increased to 75.4% for April but mining output fell as a result in the fall of oil and gas extraction (-6.8%) as the oil and gas industry continues to suffer from high supply and low prices. The CPI also showed an increase for April led by a 3.4% increase in energy prices. Thursday's April Leading Index rose following a flat March and only .1% increase in February. Rounding out last week's economic reports was the Friday release of April's existing home sales which rose 1.7% for the month. Median prices were up as well. Major economic reports (and related consensus forecasts) for the upcoming week include: Monday: May preliminary Markit US Manufacturing PMI (51, +.2); Tuesday: April New Home Sales (520K, +9K); Wednesday: May 20th MBA Mortgage Applications; Thursday: May 21th Initial Jobless Claims (275k, -3K); April preliminary Durable Goods Orders (.3%, -.5%); Friday: QoQ Annualized GDP (.9%, +.4%) and Final May University of Michigan Sentiment (95.4, -.4)

US Equities			
Weekly Index Performance:		Market Indicators:	
DJIA:	17,500.94 (-0.04%)	Strong Sectors:	Energy, Info Tech, Financials
S&P 500:	2,052.32 (+0.35%)	Weak Sectors:	Utilities, Telecom, Cons Staples
S&P Midcap:	1,450.11 (+0.69%)	NYSE Advance/Decline:	1,515/ 1,653
S&P Smallcap:	680.89 (+0.55%)	NYSE New Highs/New Lows:	277/ 76
NASDAQ Comp:	4,769.56 (+1.16%)	AAll Bulls/Bears:	19.3% / 34.1%
Russell 2000:	1,112.28 (+0.92%)		

Stocks ended a see-saw week slightly higher with interest-rate sensitive sectors underperforming the market. Strong economic data points coupled with Federal Reserve members signaling a potential rate hike in June if the economy continues to improve sent utility, consumer staples, and telecommunication shares lower. Housing starts beat expectations and increased by 6.6%, while industrial production increased by 0.7% in April. Inflation moved closer to the Fed's long-term target with consumer prices climbing 0.4% in April, the biggest gain in 3 years. In stock news, retail shares had another volatile week as many traditional brick-and-mortar stores announced disappointing results. **Gap Inc.** plans to close 75 locations across its brands as sales fell 6% in the 1st quarter and the company removed forward guidance due to the challenging environment. **Dick's Sporting Goods** also cut its full year guidance, but rallied as results were better-than-expected for the quarter. **Wal-Mart Stores Inc.** was one bright spot in retail as shares gained the most in seven years following earnings. Domestic same-store-sales gained 1%, beating analyst's predictions of a 0.5% increase. However, **Target Corp.** fell the most in more than seven years after quarterly results and guidance missed analysts' expectations. In merger news, **Monsanto Co.** gained after **Bayer AG** decided to move forward with an unsolicited offer. Looking ahead to next week, the second reading of 1Q GDP, Durable Goods Orders, and the University of Michigan Sentiment Index will be key economic indicators. With higher potential for a Federal Rate move coming in the next few months, equity market volatility is likely to increase.

