

US Economy and Credit Markets			
Yields and Weekly Changes:			
3 Mo. T-Bill:	0.03 (+01 bps)	GNMA (30 Yr) 6% Coupon:	112-16/32 (1.64%)
6 Mo. T-Bill:	0.05 (+01 bps)	Duration:	3.88 years
1 Yr. T-Bill:	0.10 (+02 bps)	30-Year Insured Revs:	158.1% of 30 Yr. T-Bond
2 Yr. T-Note:	0.37 (+03 bps)	Bond Buyer 40 Yield:	4.48 (-03 bps)
3 Yr. T-Note:	0.77 (unch.)	Crude Oil Futures:	102.84 (-1.51)
5 Yr. T-Note:	1.54 (+01 bps)	Gold Futures:	1,250.40 (-41.30)
10 Yr. T-Note:	2.47 (-06 bps)	Merrill Lynch High Yield Indices:	
30 Yr. T-Bond:	3.32 (-07 bps)	U.S. High Yield:	5.95% (-01 bps)
		BB:	4.58% (-06 bps)
		B:	5.95% (-03 bps)

Treasury yields fell at the long end of the curve while rising at the short end as economic reports which showed slowing U.S. growth during this holiday shortened week. On Tuesday, when the market reopened after Memorial Day, Treasuries traded sideways when Q1 Consumer Confidence was reported in-line at 83 and April Durable Goods orders expanded +.8%. Investors also wagered that the Fed would not increase short term rates quickly as an auction of 2 year notes drew strong demand. On Wednesday, Treasuries rallied again as another U.S. auction for 5 year notes drew strong demand and gains in European sovereign debt boosted the relative attractiveness of U.S. debt. On Thursday, Q1 GDP was reported to have fallen -1% vs. expectations for a -.5% drop, while April pending home sales increased just +.4% MoM. Some relatively strong words in the latest remarks from the ECB, pledging to restore inflation also caused Treasuries to rally as their attractiveness relative to other European Sovereign assets increased. On Friday, Treasuries ticked higher to close out the month with the biggest monthly gains since January. Reports on Friday showed Apr. Personal Spending declined -.1% against expectations for a .2% increase. Major economic reports (and related consensus forecasts) for the upcoming shortened week include: Monday: May ISM Manufacturing (55) and Apr. Construction Spending (+.6%); Tuesday: Apr. Factory Orders (.5%) and May Total/Domestic Vehicle Sales (\$16.1M/12.2M); Wednesday: Apr. Trade Balance (\$-40.6B) and May. ISM Non-Manf. Composite (55.5); Thursday: May 31 Initial Jobless Claims (310K); Friday: May Change in Nonfarm Payrolls (218k), May Change in Manufact. Payrolls (10K), and May Unemployment Rate (6.4%).

US Equities			
Weekly Index Performance:		Market Indicators:	
DJIA:	16,717.17 (0.73%)	Strong Sectors:	Utilities, Consumer Staples, Information Technology
S&P 500:	1,923.57 (1.24%)	Weak Sectors:	Telecom Services, Consumer Discretionary, Energy
S&P Midcap:	1,377.98 (0.65%)	NYSE Advance/Decline:	2,118 / 1,091
S&P Smallcap:	653.01 (0.49%)	NYSE New Highs/New Lows:	425 / 62
NASDAQ Comp:	4,242.62 (1.37%)	AAll Bulls/Bears:	36.5% / 23.2%
Russell 2000:	1,134.50 (0.77%)		

Last week the S&P 500 Index closed with a 1.24% return. Monday was the observance of Memorial Day which had equity markets closed and made last week a four day trading week. Tuesday returned 0.60% pushing the S&P 500 Index to an all-time high. Equities were helped by positive economic data such as durable goods orders that were expected to be down -0.7%, but were actually up 0.8% and the FHFA US House Price Index showed an increase over the previous month which was also higher than expected. After four straight positive trading days and the previous day's new high, Wednesday showed stocks decreasing slightly for a -0.10% return. Thursday closed with a 0.55% return pushing the index to another all-time high. Though 1st quarter GDP was expected to contract by an annual rate of -0.5%, the actual contraction was -1.0%. This was offset by US initial jobless claims of 300K, which was much lower than expected. Claims decreased from the previous week's 326K and were lower than the consensus estimate of 318K. The S&P 500 Index continued its rise on Friday as it closed with a 0.18% return and a value of 1,923.57. This was another new all-time high and the third time for the week. All ten economic sectors had positive performance for the week. The utilities sector was the best performing sector with a 2.38% return. The consumer staples and the information technology sectors followed with 1.75% and 1.40% returns, respectively. The telecommunication services sector's 0.48% return was the worst performance of all the sectors and was followed by consumer discretionary and energy which returned 0.93% and 0.96%, respectively. **Exelon Corp.**, a utility services holding company, turned in the best performance in the S&P 500 Index with a 7.85% gain. The next two best performers were **FirstEnergy Corp.** and **Tyson Foods Inc.** with returns of 7.43% and 7.10%, respectively. This week will bring earnings news from **Dollar General Corp.**, **PVH Corp.**, **Joy Global Inc.**, **Navistar International Corp.** and a few others.