

Weekly Market Update

For the week ended
June 1, 2007

US Stocks	
Weekly Index Performance	
DJIA:	13668.11 (+160.83, +1.2%)
S&P 500:	1536.34 (+20.61, +1.4%)
S&P MidCap:	921.77 (+25.49, +2.8%)
S&P SmallCap:	443.30 (+12.14, +2.8%)
Nasdaq Comp:	2613.92 (+56.73, +2.2%)
Russell 2000:	853.41 (+23.48, +2.8%)
Market Indicators	
Strong Sectors:	Precious Metals, REIT's, Industrials
Weak Sectors:	Health Care, Telecom Svcs., Banks
NYSE Advance/Decline:	2,660 / 842
NYSE New Highs/New Lows:	635 / 66
AAll Bulls/Bears:	33.3% / 44.8%

US stocks rose to new highs on more merger activity and on new-found optimism over the outlook for the economy. The S&P 500 finally broke through its March 2000 peak while the Nasdaq Composite logged its best week in two months. With May's gains, the S&P 500 has now risen in 11 of the past 12 months. Investors on Wednesday looked past a 6.5% slide in the Chinese market brought about by a hike in trading taxes and instead focused on the minutes from the May FOMC meeting. Though the minutes showed the Fed remains vigilant on inflation with an eye open to the risks posed by housing, there was acknowledgement of underlying economic strength. Even news the economy grew only at a revised 0.6% rate in the first quarter was cast in a positive light in that a stronger reading in the current quarter is likely. Friday's news of a stronger than expected monthly addition to payrolls and a slowdown in a key reading on inflation helped solidify a positive outlook. Merger activity included **Wachovia's** agreement to buy **A.G. Edwards** for \$6.8 billion, **URS'** deal to acquire **Washington Group International** for \$2.6 billion, **CDW** going private for \$7.3 billion, and REIT **Archstone-Smith** going private in a \$22 billion transaction. **Dow Jones** shares vaulted 18% higher after the publisher agreed to meet with bidder **News Corp.** **Wal-Mart** announced a plan to trim store openings and buy back \$15 billion in shares. **Dell Inc.** posted strong quarterly results and announced a workforce reduction. Looking ahead, the coming week appears light in terms of market-moving economic data and corporate earnings. Investors will want to keep an eye on the bond market where yields though low are on the rise. Overall, the conditions for corporate profit growth appear to remain in place and stocks could continue to trend higher.

US Economy and Credit Markets	
Yields and Weekly Changes:	
3 Mo. T-Bill:	4.78 (-08 bps)
6 Mo. T-Bill:	4.96 (01 bps)
2 Yr. T-Note:	4.96 (+11 bps)
3 Yr. T-Note:	4.93 (+14 bps)
5 Yr. T-Note:	4.91 (+12 bps)
10 Yr. T-Note:	4.95 (+10 bps)
30 Yr. T-Bond:	5.05 (+05 bps)
GNMA (30 Yr) 8% Coupon:	103-23/32 (6.50%)
Duration:	3.24 years
30 Year Insured Revs:	88.5% of 30 Yr. T-Bond
Bond Buyer 40 Yield:	4.75% (+05 bps)
Goldman Sachs Commodity Index:	5812.54 (-57.02)
Merrill Lynch High Yield Indices:	
BB, 7-10 Yr.	6.99% (+06 bps)
B, 7-10 Yr.	7.77% (+03 bps)

In a week shortened by the Memorial Day holiday, Treasury prices had their fourth straight losing week, pushing the yield on the 10-year note to its highest level since August. Nearly all of the news from the economy was positive, which is generally bad news for fixed-income securities. Prices fell Tuesday to open the week as consumer confidence increased more than expected. A Wednesday sell-off in the Chinese stock market spurred some safe-haven buying Wednesday, leaving Treasury prices higher for the session. Thursday saw another decline in price for Treasuries despite a downward revision in first quarter GDP; strong manufacturing data from the Chicago Purchasing Managers index helped drive the market. Friday's above-expectations May employment data pushed prices down once again, as nonfarm payrolls increased by 157,000, bettering forecasts of 150,000. The unemployment rate held steady at 4.5%. Economic reports (and related consensus forecasts) for the coming week include: Monday: April Factory Orders (0.7%); Tuesday May ISM Non-Manufacturing (55.6); Wednesday: 1Q Final Nonfarm Productivity (1.0%) and Unit Labor Costs (1.3%); Thursday Initial Jobless Claims (312,000), April Wholesale Inventories (0.3%), and April Consumer Credit (\$6.0 billion); and Friday: April Trade Balance (-\$63.4 billion).

Source: Bloomberg and Barron's