

**For The Week Ended May 16, 2008**  
**Weekly Market Commentary & Developments**

**US Economy and Credit Markets:**
**Yields and Weekly Changes:**

<b>3 Mo. T-Bill</b>	1.83 (+15 bps)	<b>GNMA (30 Yr) 8% Coupon:</b> 107-26/32 (4.99%)
<b>6 Mo. T-Bill</b>	1.89 (+16 bps)	<b>Duration:</b> 3.17 years
<b>2 Yr. T-Note</b>	2.43 (+20 bps)	<b>30-Year Insured Revs:</b> 102.4% of 30 Yr. T-Bond
<b>5 Yr. T-Note</b>	3.11 (+15 bps)	<b>Bond Buyer 40 Yield:</b> 5.00% (-04 bps)
<b>10 Yr. T-Note</b>	3.84 (+08 bps)	<b>Crude Oil Futures:</b> 126.10 (+0.67)
<b>30 Yr. T-Bond</b>	4.57 (+05 bps)	<b>Gold Futures:</b> 889.90 (+4.10)
		<b>Merrill Lynch High Yield Indices:</b>
		<b>BB, 7-10 Yr.</b> 7.85% (unch)
		<b>B, 7-10 Yr.</b> 10.10% (-15 bps)

Treasury prices fell across the board for the week, with the losses deeper at the short end of the curve. With the price of oil rising to another record high and a number of Fed officials expressing concerns over inflation, speculation that the Fed would increase rates later in the year dented fixed income prices. Most of the news from the economy for the week was positive, with the exception of climbing prices. Retail sales declined by 0.2% in April -- in line with forecasts -- but excluding autos, sales grew 0.5%. However, import prices, driven by oil price increases, were up 1.8% for the month, keeping inventories high. In addition, housing starts increased sharply in April -- forecasts had called for a decrease -- but that increase was due to multiple-unit dwellings as opposed to single-family homes. CPI increased less than expected, but consumer prices are up 3.9% over last year. First-time claims for unemployment rose by 6,000 for the week, but the less volatile four-week average fell by 1,000. Economic reports (and related consensus forecasts) for the coming week include: Monday: April Leading Indicators (-0.1%); Tuesday: April Producer Price Index (0.4%, Ex Food & Energy 0.2%); Wednesday: Minutes of April 29-30 FOMC Meeting released; Thursday: Initial Jobless Claims (373,000); and Friday: April Existing Home Sales (4.85 million).

**US Stocks:**
**Weekly Index Performance**

<b>DJIA</b>	12986.80 (+240.92,+1.9%)
<b>S&amp;P 500</b>	1425.35 (+37.07,+2.7%)
<b>S&amp;P MidCap</b>	883.65 (+29.72,+3.5%)
<b>S&amp;P Small Cap</b>	392.17 (+12.75,+3.4%)
<b>NASDAQ Comp</b>	2528.85 (+83.33,+3.4%)
<b>Russell 2000</b>	741.17 (+21.12,+2.9%)

**Market Indicators**

<b>Strong Sectors:</b> Materials, Energy, Technology, Telecom
<b>Weak Sectors:</b> Health Care, Financials, Utilities
<b>NYSE Advance/Decline:</b> 2,781 / 816
<b>NYSE New Highs/New Lows:</b> 228 / 78
<b>AAII Bulls/Bears:</b> 45.2% / 29.7%

US stocks advanced for the fourth week in five as M&A activity and mostly positive economic data helped investors look past mounting prices for commodities. Stocks built on their recovery from March lows. Commodity-related shares led the way. Crude oil approached \$128/bbl before settling back, up 0.2% for the week. Gold prices rose 1.6%.

**ExxonMobil** shares rose 4.3%, benefiting from **Goldman Sachs'** call on higher second-half oil prices. Corporate actions lent support to a view capital markets are recovering. The LBO of **Clear Channel Communications** finally cleared at \$36/share. **Hewlett-Packard** announced a deal to acquire **Electronic Data Systems** for \$13.3 billion cash. **CBS** agreed to pay \$1.8 billion for **CNet Networks**. **Freddie Mac's** quarterly loss was less than expected and its shares responded positively. Still, investors mostly shunned the Financials. Defensive sectors Health Care and Utilities also attracted scant interest. Retail was a mixed bag. **Wal-Mart** shares traded lower after the company warned of a potential earnings shortfall in the current quarter. **J.C. Penney** beat expectations and its shares rose. Elsewhere, **Deere's** outlook disappointed investors as the company warned higher costs for materials could crimp profits. **Fluor** shares surged on upbeat guidance. Looking ahead, the consumer is likely to be in focus in the coming week as more reports from retailers are due out and with last Friday's dismal reading on consumer confidence fresh in investors' memory. Whether stocks can work higher from present levels may depend on some evidence slower growth can relieve inflation pressures in the economy. To that end, data out Wednesday on April producer prices will provide important evidence.