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For The Week Ended June 6, 2008
Weekly Market Commentary & Developments

US Economy and Credit Markets:

Yields and Weekly Changes:

3 Mo. T-Bill	1.83 (-04 bps)	**GNMA (30 Yr) 8% Coupon:** 105-22/32 (5.83%)	
6 Mo. T-Bill	1.97 (-03 bps)	**Duration:** 3.31 years	
2 Yr. T-Note	2.39 (-24 bps)	**30-Year Insured Revs**: 100.6% of 30 Yr. T-Bond	
5 Yr. T-Note	3.19 (-22 bps)	**Bond Buyer 40 Yield**: 5.13% (unch)	
10 Yr. T-Note	3.92 (-13 bps)	**Crude Oil Futures**: 138.75 (+11.40)	
30 Yr. T-Bond	4.63 (-07 bps)	**Gold Futures**: 895.40 (+8.10)	
		Merrill Lynch High Yield Indices:	
		BB, 7-10 Yr.	8.06% (+06 bps)
		B, 7-10 Yr.	10.21% (-02 bps)

Renewed uncertainty regarding the financial condition of the major U.S. banks and brokers was a prime factor contributing to the strong bid for Treasuries early in the week. Beginning Wednesday, this positive trend in prices abruptly reversed course, however, in reaction to a statement by the Fed Chairman that inflation was a significant concern for the central bank. This comment, plus an unexpected drop in initial jobless claims, suggested to many market participants that the Fed would likely begin increasing rates later this year. Any economic outlook optimism, or fears of a Fed tightening, quickly disappeared Friday after a report showed that the May Unemployment Rate jumped to 5.5% (the biggest one-month gain since 1986). Treasuries rallied strongly on the news and yields across the curve closed lower for the week. Economic reports (and related consensus forecasts) for the coming week include: Tuesday: April U.S. Trade Balance (-$59.6B); Wednesday: Fed's Beige Book and May U.S. Monthly Budget Statement (-$151.0B); Thursday: Initial Jobless Claims (366,000), May Import Price Index (2.4%), May Advance Retail Sales (0.5%) and April Business Inventories (0.3%); and Friday: May Consumer Price Index (0.5%, less food and energy 0.2%) and June University of Michigan Consumer Confidence Survey (59.5).

US Stocks:

Weekly Index Performance

DJIA	12209.81 (-428.51,-3.4%)
S&P 500	1360.68 (-39.70,-2.8%)
S&P MidCap	873.75 (-8.21,-0.9%)
S&P Small Cap	390.19 (-5.12,-1.3%)
NASDAQ Comp	2474.56 (-48.10,-1.9%)
Russell 2000	740.37 (-7.91,-1.1%)

Market Indicators

Strong Sectors: Materials, Energy, Utilities
Weak Sectors: Financials, Industrials, Homebuilders
NYSE Advance/Decline: 1,040 / 2,558
NYSE New Highs/New Lows: 169 / 127
AAII Bulls/Bears: 43.5% / 38.0%

US stocks slumped under the weight of new concern over the economy, ceding some of the gains made off March lows. Investors were jolted Friday by news the unemployment rate in May rose the most in twenty-two years while crude oil futures surged over $10/bbl to $138.54. Crude's 8.8% weekly advance came as the dollar weakened and tensions in the Middle East resurfaced. Friday's heavy losses came a day after the outlook had appeared more positive as monthly retail sales from retailers indicated consumers were spending their tax rebate cheques, albeit mainly at discounters. **Wal-Mart**'s May sales came in ahead of estimates and its shares hit a four-year high. Commodity-related plays including steelmakers, coal and gold miners were bid higher. **Nucor** shares rose 4.5% as the company raised guidance. The Financials struggled all week long. Standard & Poor's downgraded credit ratings for several brokerage stocks and moved to strip bond-rating firms **Ambac Financial** and **MBIA** of their AAA ratings. **Lehman Brothers** shares tumbled 12% on speculation the company needs more capital partly due to steep losses on hedging activity. **Wachovia** surprised investors by terminating its CEO. In merger news, **Verizon Wireless** agreed to buy **Alltel** for $28 billion in cash and assumed debt. **Procter & Gamble** sold its Folger's coffee business to **J.M. Smucker** for $3.3 billion. Looking ahead, investors will nervously monitor developments in the credit and energy markets this week while waiting for data on May consumer prices coming Friday. Expectations for **Apple** are high heading into an important company-led conference opening Monday. The outlook for corporate profits and stocks appears dependent on continued assistance from export markets as the US economy weathers an ongoing period of de-leveraging in the financial and consumer sectors.