

**For The Week Ended May 8, 2008**  
**Weekly Market Commentary & Developments**

**US Economy and Credit Markets:**

**Yields and Weekly Changes:**

<b>3 Mo. T-Bill</b> 0.17 (+02 bps) <b>6 Mo. T-Bill</b> 0.29 (+01 bps) <b>1 Yr. T-Bill</b> 0.53 (+07 bps) <b>2 Yr. T-Note</b> 0.97 (+07 bps) <b>3 Yr. T-Note</b> 1.45 (+10 bps) <b>5 Yr. T-Note</b> 2.13 (+12 bps) <b>10 Yr. T-Note</b> 3.28 (+13 bps) <b>30 Yr. T-Bond</b> 4.26 (+19 bps)	<b>GNMA (30 Yr) 6% Coupon:</b> 104-14/32 (3.16%) <b>Duration:</b> 3.16 years <b>30-Year Insured Revs:</b> 157.9% of 30 Yr. T-Bond <b>Bond Buyer 40 Yield:</b> 5.31% (-09 bps) <b>Crude Oil Futures:</b> 58.69 (+5.49) <b>Gold Futures:</b> 916.60 (+28.40) <b>Merrill Lynch High Yield Indices:</b> <b>BB, 7-10 Yr.</b> 11.40% (-34 bps) <b>B, 7-10 Yr.</b> 13.05% (-63 bps)
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Treasury prices were down across the board on the week. Monday, prices were mixed with longer dated maturities modestly higher. Treasuries were mostly unchanged on Tuesday as investors focused on the 10 and 30 year auctions later in the week. Wednesday, Treasuries fell in the morning then rallied back to finish mostly unchanged. Wednesday's afternoon rally was kept in check by the stock market rally and continued leaks that results from the stress tests would not be as bad as anticipated. Treasuries sold off on Thursday, largely due to a poor \$14 billion 30 year bond auction and the Initial Jobless Claims report which was better than the estimate. On Friday, Treasuries posted modest gains which were the first in four days largely due to employment losses that were greater than some traders anticipated. On Thursday, Initial Jobless Claims were reported at 601,000 which was lower than the estimate of 635,000. Friday, April's change in Nonfarm Payrolls was better than expected at -539,000 vs. the survey of -600,000. Major economic reports (and related consensus forecasts) for next week include: Tuesday: April Import Price Index (0.40%), April Advance Retail Sales (0.00%); Wednesday, April PPI (0.10%); Thursday, April CPI (0.00%); Friday, May Preliminary University of Michigan Consumer Confidence (66).

**US Stocks:**

**Weekly Index Performance**

<b>DJIA</b>	8574.65 (+362.24,+4.4%)
<b>S&amp;P 500</b>	929.23 (+51.71,+5.9%)
<b>S&amp;P MidCap</b>	586.91 (+28.04,+5.0%)
<b>S&amp;P Small Cap</b>	273.91 (+13.37,+5.1%)
<b>NASDAQ Comp</b>	1739.00 (+19.80,+1.2%)
<b>Russell 2000</b>	511.82 (+24.84,+5.1%)

**Market Indicators**

<b>Strong Sectors:</b> Financials, Energy, Industrials
<b>Weak Sectors:</b> Technology, Telecomm, Consumer Staples
<b>NYSE Advance/Decline:</b> 2,662 / 540
<b>NYSE New Highs/New Lows:</b> 33 / 14
<b>AAII Bulls/Bears:</b> 44.1% / 33.3%

U.S. stocks posted strong gains last week as the results of the bank stress test were viewed as positive and economic data came in better than forecast. Financials led the rally, gaining 23% for the week. Despite the fact that 10 of the 19 banks that underwent the stress test are required to raise a combined \$75 billion in capital, the results were deemed to have been better than originally feared. **Bank of America** was determined to need \$34 billion in fresh capital yet the stock gained 62% on the week. In addition to strong gains from the banks, insurers also posted strong returns after positive earnings in the group. Economic data pointed to a slowing in the pace of economic decline as housing and employment data were stronger than expected. April retail sales were better than forecast though the group fell following the report and finished the week flat. **Kraft** reported strong quarterly results driven by cost control. **Disney** shares gained on better than expected results. **McDonald's** posted strong April sales as the company benefitted from consumers trading down to their lower price point. **Cisco** shares traded lower despite earnings and revenues that were ahead of estimates. **Garmin** shares fell after posting an earnings miss. Technology as a whole lagged for the week. Looking ahead, earnings season is winding down though the coming week brings reports from numerous retailers including **Wal-Mart**. After a furious sprint higher off March lows, the rally could be due for a pause as investors reassess current valuations against the outlook for the rest of the year.