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For The Week Ended June 5th, 2009
Weekly Market Commentary & Developments

US Economy and Credit Markets:

Yields and Weekly Changes:

3 Mo. T-Bill	0.17 (+08 bps)	**GNMA (30 Yr) 6% Coupon:** 103-30/32 (3.90%)	
6 Mo. T-Bill	0.33 (+06 bps)	**Duration:** 2.71 years	
1 Yr. T-Bill	0.61 (+15 bps)	**30-Year Insured Revs**: 147.2% of 30 Yr. T-Bond	
2 Yr. T-Note	1.30 (+38 bps)	**Bond Buyer 40 Yield**: 5.45% (+10 bps)	
3 Yr. T-Note	1.84 (+44 bps)	**Crude Oil Futures**: 68.54 (+2.10)	
5 Yr. T-Note	2.82 (+48 bps)	**Gold Futures**: 954.10 (-25.10)	
10 Yr. T-Note	3.82 (+37 bps)	**Merrill Lynch High Yield Indices:**	
30 Yr. T-Bond	4.61 (+28 bps)	**BB, 7-10 Yr.**	10.22% (-102 bps)
		B, 7-10 Yr.	12.42% (-51 bps)

Treasury yields rose sharply, pushing the yield on two-year note to its highest level since eight-month high. News of the smallest decrease in employment since September spurred hopes that the worst of the recession is past, which immediately led to speculation regarding when the Fed may increase interest rates. While the unemployment rate rose to 9.4% (higher than the consensus 9.2% and the highest level the rate has hit in 26 years), the nonfarm payrolls fell by only 345,000, besting by far the forecasted decline of 521,000 jobs. Both the ISM manufacturing and service indexes also increased in May, although neither was at the level signaling expansion. Major economic reports (and related consensus forecasts) for next week include: Tuesday: April Wholesale Inventories (-1.1%); Wednesday: April Trade Balance (-$28.8 billion), May Monthly Budget Statement (-$181.0 billion), and Fed's Beige Book released; Thursday: May Advance Retail Sales (0.5%, Less Autos 0.2%), Initial Jobless Claims (615,000), and April Business Inventories (-1.0%); and Friday: May Import Price Index (1.4%) and June preliminary U of Michigan Consumer Confidence (69.2).

US Stocks:

Weekly Index Performance

DJIA	8763.13 (+262.80,+3.1%)
S&P 500	940.09 (+20.95,+2.3%)
S&P MidCap	596.10 (+20.58,+3.6%)
S&P Small Cap	280.09 (+15.20,+5.7%)
NASDAQ Comp	1849.42 (+75.09,+4.2%)
Russell 2000	530.36 (+28.78,+5.7%)

Market Indicators

Strong Sectors: Industrials, Technology, Consumer Discretionary
Weak Sectors: Health Care, Financials, Telecom
NYSE Advance/Decline: 2,402 / 794
NYSE New Highs/New Lows: 56 / 7
AAII Bulls/Bears: 47.6% / 36.6%

US stocks advanced for the eleventh week in thirteen as investors continued to warm to the notion the worst of the global financial crisis has now passed, with the US recession set to end later this year. The economic data out last week while mixed did not refute that view. Friday's May employment report showed many fewer jobs lost than expected, although the unemployment rate ticked higher. Small-cap stocks did best for the week and continued their run of outperformance off the recent March market bottom. **General Motors**' bankruptcy filing on Monday coincided with a spate of positive economic data and stocks rallied strongly that day. GM and **Citigroup** will be replaced in the DJIA this coming Monday by **Cisco Systems** and **Travelers Cos**. Monthly auto sales results showed the pace of decline slowed somewhat, notably at **Ford**. Monthly same-store sales results at **Wal-Mart**, **Kohl's**, **TJX** and select specialty teen apparel chains remained strong, but **Costco**, **Target** and mall-based department stores showed weakness. Capital-raising activity weighed on Financial shares. **Morgan Stanley**, **JPMorgan Chase** and **American Express** announced actions aimed at repaying TARP capital. Shares of **Boeing** soared 17% on **United Airlines'** announced plans to upgrade its fleet. In merger news, **EMC** and **NetApp** made competing offers worth $1.7 billion for **Data Domain**. Looking ahead, investors will want to keep a watchful eye on crude oil prices (climbing higher) and mortgage rates (on the upswing) before declaring a full-fledged, consumer-led recovery to be underway. Additionally, rising bond yields could provide attractive competition for investment capital especially for those looking to lock in profits from stocks' recent run. Still, that stocks have so far defied expectations for any significant pullback since March could keep many investors chasing performance.