US Economy and Credit Markets

Yields and Weekly Changes:

3 Mo. T-Bill:	0.07 (+01 bps)	GNMA (30 Yr) 6% Coupon:	109-28/32 (2.18%)
6 Mo. T-Bill:	0.16 (+03 bps)	Duration:	3.53 years
1 Yr. T-Bill:	0.25 (+04 bps)	30-Year Insured Revs:	153.6% of 30 Yr. T-Bond
2 Yr. T-Note:	0.73 (+14 bps)	Bond Buyer 40 Yield:	5.66% (+05 bps)
3 Yr. T-Note:	1.23 (+19 bps)	Crude Oil Futures:	105.67 (+4.60)
5 Yr. T-Note:	2.15 (+21 bps)	Gold Futures:	1429.60 (+13.50)
10 Yr. T-Note:	3.43 (+16 bps)	Merrill Lynch High Yield Indices:	
30 Yr. T-Bond:	4.49 (-08 bps)	BB, 7-10 Yr.:	6.43% (-02 bps)
		B, 7-10 Yr.:	7.48% (-04 bps)

Treasury prices were lower across the board as investors reversed the flight to safety trade from last week sending riskier assets higher and prepared for $99 billion of new Treasury securities in 2-year, 5-year and 7-year notes. Existing home sales were reported Monday to have dropped 9.6% in February to 4.88 million annually. This was below the consensus expectation of a 4.8% decline to 5.13 million. New home sales were also reported below expectations, dropping 16.9% in February to an annual rate of 250,000 where the consensus expected a gain of 2.1% to 290,000. Durable goods orders declined 0.9% in February vs. the expectation of a 1.2% gain. Excluding transportation, orders declined 0.6% where the consensus expected a gain of 2.0%. Fourth quarter GDP was reported Friday to 3.1% vs. the expectation of 3.0% and U of M Consumer Confidence for March was reported at 67.5 vs. the expectation of 68.0 Major economic reports (and related consensus forecasts) for next week include: Monday: February Personal Spending (0.5%), February Personal Income (0.4%), February Pending Home Sales (unchanged); Thursday: March Chicago Purchasing Manager Index (69.0), February Factory Orders (0.3%); Friday: March Change in Nonfarm Payrolls (195,000), March Unemployment Rate (8.9%), February Construction Spending (unchanged), March ISM Manufacturing Index (61.0), March Domestic Vehicle Sales (10.13M annualized), March Domestic Vehicle Sales (13.27M annualized).

US Stocks

Weekly Index Performance:

DJIA:	12220.59 (+362.07,+3.1%)
S&P 500:	1313.80 (+34.60,+2.7%)
S&P MidCap:	970.43 (+27.74,+2.9%)
S&P Small Cap:	436.20 (+14.14,+3.4%)
NASDAQ Comp:	2743.06 (+99.39,+3.8%)
Russell 2000:	823.85 (+29.19,+3.7%)

Market Indicators:

Strong Sectors:	Energy, Technology, Materials
Weak Sectors:	Financials, Utilities, Health Care
NYSE Advance/Decline:	2,481 / 667
NYSE New Highs/New Lows:	316 / 38
AAII Bulls/Bears:	37.8% / 35.0%

US stocks rebounded to post solid gains last week as investors focused on the positives in merger activity and corporate earnings. Unrest in the Middle East/Africa and the unfolding nuclear crisis in Japan remained a concern. Home builder shares gained despite disappointing home sales data. Existing home sales dropped almost 10% in February and new home sales hit an all-time low. **Oracle** reported strong quarterly results and boosted its dividend. **Accenture** gained on a strong earnings report and increased outlook as bookings were strong. **Research in Motion** shares plunged despite inline earnings as the company lowered Q1 expectations on Playbook launch costs. **Citigroup** reinitiated its dividend and announced a 1 for 10 reverse split. **Bank of America** lost ground after the Fed rejected its dividend increase plan. **Discover Financial** gained on better than expected EPS and plans to raise its dividend. **Adobe** reported better than expected results though commented that Japan will likely weigh on future results. **Carnival** slipped as higher fuel costs negatively impacted results. Smartphone sales boosted **Best Buy's** quarter above expectations though shares slid on a lower outlook for 2011. **Tiffany** posted strong 4Q results on higher gross margins and noted strength in Europe and Asia. **Boeing** shares gained following a successful first test flight of its 747-8 airliner. In merger news, **AT&T** will buy **T-Mobile** to become the largest wireless carrier in the US and **Charles Schwab** announced a $1 billion offer for **optionsXpress**. Looking ahead, Japan and the situation in the Middle East/Africa is likely to present headline risk in the short term. Longer term, economic and corporate fundamentals appear to support further growth. Investors will be scrutinizing the upcoming earnings season for confirmation of these trends.