US Economy and Credit Markets

Yields and Weekly Changes:

3 Mo. T-Bill:	0.04 (+02 bps)	GNMA (30 Yr) 6% Coupon:	111-07/32 (1.83%)
6 Mo. T-Bill:	0.09 (+03 bps)	Duration:	3.67 years
1 Yr. T-Bill:	0.16 (unch.)	30-Year Insured Revs:	157.3% of 30 Yr. T-Bond
2 Yr. T-Note:	0.51 (-02 bps)	Bond Buyer 40 Yield:	5.41% (-06 bps)
3 Yr. T-Note:	0.90 (-04 bps)	Crude Oil Futures:	99.49 (-0.16)
5 Yr. T-Note:	1.79 (-05 bps)	Gold Futures:	1512.10 (+18.50)
10 Yr. T-Note:	3.14 (-03 bps)	Merrill Lynch High Yield Indices:	
30 Yr. T-Bond:	4.30 (-01 bps)	BB, 7-10 Yr.:	6.22% (-03 bps)
		B, 7-10 Yr.:	7.44% (+01 bps)

Treasury prices closed the week relatively unchanged even as European debt issues made headlines throughout the week once again. Multiple pieces of economic data in the US also disappointed and drove investors away from riskier assets. May Empire Manufacturing came in well below estimates of 19.55 at 11.88. April housing numbers were also disappointing as starts decreased 10.6% and permits decreased 4.0% month over month. April Industrial Production was anticipated to increase 0.4% but came in flat at 0.0%. Although Initial Jobless Claims were lower than the expected 420,000 at 409,000 Thursday's other data came in below expectations. April Existing Home Sales shrunk 0.8% missing consensus of 2.0% and the Philadelphia Fed Index came in weaker than anticipated at 3.9 versus an expected 20.0. Major economic reports (and related consensus forecasts) for next week include: Tuesday: April New Home Sales (305,000, +1.7%) and May Richmond Fed Manufacturing Index (10); Wednesday: April Durable Goods Orders (-2.4%, Ex Transportation +0.5%); Thursday: 1st Quarter GDP (2.2% Annualized), 1st Quarter Personal Consumption (2.8%) and Initial Jobless Claims (400,000); and Friday: April Personal Income (0.4%), April Personal Spending (0.5%) and April Pending Home Sales (-1.0%).

US Stocks

Weekly Index Performance:

DJIA:	12512.04 (-83.71,-0.7%)
S&P 500:	1333.27 (-4.50,-0.3%)
S&P MidCap:	986.83 (-7.09,-0.7%)
S&P Small Cap:	443.25 (-3.86,-0.9%)
NASDAQ Comp:	2803.32 (-25.15,-0.9%)
Russell 2000:	829.06 (-6.61,-0.8%)

Market Indicators:

Strong Sectors:	Health Care, Utilities, Staples
Weak Sectors:	Energy, Materials, Industrials
NYSE Advance/Decline:	1,547/ 1,628
NYSE New Highs/New Lows:	336 / 76
AAII Bulls/Bears:	26.7% / 41.3%

US stocks fell for a third straight week as sluggish economic data combined with disappointing earnings to send stocks lower. In economic news, industrial data was weaker than expected while housing data confirmed continued sluggishness. Stocks were further pressured by European debt worries as Greece was downgraded and rumors circulated about another bailout. **Dell** reported strong bottom line results boosted by servers and strength in small and mid sized businesses. In contrast, **Hewlett-Packard** slashed its 2011 outlook on soft consumer PC sales. **Deere** reported solid top and bottom line results and will build a new factory in China to address emerging market growth. **Salesforce.com** surpassed forecasts and raised its outlook. **Aflac** lost ground on a disappointing outlook. **Janus** shares slid as fund outflows continued. Retail shares were in focus following numerous earnings reports. **Gap** and **Aeropostale** both plunged as rising costs and a highly promotional environment led to results below expectations. **Abercrombie** gained thanks to improved margins. **JCPenney** was lower despite strong results and increased guidance. Home improvement retailers reported contrasting results. **Lowe's** fell on an earnings miss citing fewer home renovations while **Home Depot** reported a solid quarter and raised its outlook. **Wal-mart's** results benefitted from strong foreign sales. **LinkedIn** came public in the year's most anticipated IPO. It did not disappoint as shares gained over 100% on it first day of trading. In merger news, **NASDAQ** and **Intercontinental Exchange** withdrew their offer for **NYSE Group** citing regulatory hurdles. Looking ahead, economic news flow will be the likely focus of the coming weeks as earnings season is largely behind us. Recent data from both the corporate sector and economy suggests the upward momentum has hit a soft patch in recent weeks. While the longer term outlook still points to growth and equity valuations remain compelling, the shorter term equity action could be volatile as investors digest the recent data.