US Economy and Credit Markets

Yields and Weekly Changes:

3 Mo. T-Bill:	0.04 (+01 bps)	GNMA (30 Yr) 6% Coupon:	111-30/32 (1.29%)
6 Mo. T-Bill:	0.09 (unch.)	Duration:	3.65 years
1 Yr. T-Bill:	0.17 (unch.)	30-Year Insured Revs:	161.4% of 30 Yr. T-Bond
2 Yr. T-Note:	0.40 (-02 bps)	Bond Buyer 40 Yield:	5.26% (-01 bps)
3 Yr. T-Note:	0.71 (-01 bps)	Crude Oil Futures:	98.94 (-1.28)
5 Yr. T-Note:	1.56 (-04 bps)	Gold Futures:	1532.00 (-9.70)
10 Yr. T-Note:	2.97 (-02 bps)	Merrill Lynch High Yield Indices:	
30 Yr. T-Bond:	4.18 (-04 bps)	BB, 7-10 Yr.:	6.48% (+10 bps)
		B, 7-10 Yr.:	7.72% (+16 bps)

Treasury prices ended the week relatively flat as investors digested few significant economic reports and comments from the Federal Reserve. Prices were virtually unchanged early in the week until Fed Chairman Ben Bernanke's statements declaring a need for continued accommodative monetary policy sent prices higher. Thursday's trade deficit report narrowed on stronger than expected exports, erasing the week's previous gains. In economic news this week, consumer credit was reported higher than the expected $5 billion at $6.247 billion. Thursday's initial jobless claims disappointed investors at 427,000 versus the projected 419,000, but the trade deficit fell to -$43.7 billion against the anticipated -$48.8 billion. Major economic reports (and related consensus forecasts) for next week include: Tuesday: May Producer Price Index (+0.1% MoM, +6.8% YoY), May Producer Price Index Excluding Food and Energy (+0.2% MoM, +2.1% YoY), May Advance Retail Sales (-0.5%, Less Autos +0.3%), and April Business Inventories (+0.9%); Wednesday: May Consumer Price Index (+0.1% MoM, +3.4% YoY), May Consumer Price Index Excluding Food and Energy (+0.2% MoM, 1.4% YoY), June Empire Manufacturing Index (13.00), May Industrial Production (+0.2%), May Capacity Utilization (77.0%); Thursday: Initial Jobless Claims (420,000), May Building Permits (554,000, -1.6% MoM), May Housing Starts (545,000, +4.2% MoM), June Philadelphia Fed Index (7.0); and Friday: May Leading Indicators (+0.3%).

US Stocks

Weekly Index Performance:

DJIA:	11951.91 (-199.35,-1.6%)
S&P 500:	1270.98 (-29.18,-2.2%)
S&P MidCap:	931.94 (-29.31,-3.0%)
S&P Small Cap:	418.19 (-13.96,-3.2%)
NASDAQ Comp:	2643.73 (-89.05,-3.3%)
Russell 2000:	779.54 (-28.59,-3.5%)

Market Indicators:

Strong Sectors:	Utilities, Health Care, Materials
Weak Sectors:	Information Technology, Consumer Discretionary, Financials
NYSE Advance/Decline:	607 / 2,579
NYSE New Highs/New Lows:	96 / 183
AAII Bulls/Bears:	24.4% / 47.7%

US stocks fell again this week, making it six consecutive weekly declines as investors continue to fear an economic slowdown and there is still no resolution on Greece. The Dow Jones Industrial Average's six week decline is the longest since 2002 and the longest since July of 2008 for the S&P 500 despite Wall Street analyst expectations for corporate profits to grow more than 20% for the third consecutive year. The Fed's beige book was released this week and indicated general continued improvement and Fed Chairman Ben Bernanke stated that the recovery remains "uneven" but that he expects that growth should pick up in the second half of the year. In other news this week, **Temple-Inland** was up sharply after rejecting a hostile takeover bid from International Paper to acquire the company for $3.3 billion. **Visa** and **MasterCard** were lower as the US Senate rejected a plan that would delay implementation of the Durbin Amendment which limits debit card swipe fees. **Lululemon Athletica** was higher as the company beat first quarter earnings estimates and raised full year guidance. Networking equipment maker **Ciena** declined after posting a wider than anticipated second quarter loss and guided lower for the third quarter. Women's apparel retailer **Talbots** retreated sharply after releasing quarterly results that were significantly below last year's and issued disappointing forward guidance. **Exxon Mobil** announced that they found ~700 million barrels of oil and gas 230 miles off shore at a deepwater well in the Gulf of Mexico. Equity investors should be expected to focus significantly on the economy next week as a heavy dose of economic indicators will be released including May PPI and CPI figures, retail sales, industrial production, housing starts and building permits as well as May leading indicators and consumer confidence.