US Economy and Credit Markets

Yields and Weekly Changes:

3 Mo. T-Bill:	0.03 (-01 bps)	GNMA (30 Yr) 6% Coupon:	112-01/32 (1.29%)
6 Mo. T-Bill:	0.09 (unch.)	Duration:	3.65 years
1 Yr. T-Bill:	0.17 (+02 bps)	30-Year Insured Revs:	159.4% of 30 Yr. T-Bond
2 Yr. T-Note:	0.42 (-05 bps)	Bond Buyer 40 Yield:	5.27% (-09 bps)
3 Yr. T-Note:	0.72 (-07 bps)	Crude Oil Futures:	100.50 (-0.09)
5 Yr. T-Note:	1.60 (-11 bps)	Gold Futures:	1541.70 (+5.40)
10 Yr. T-Note:	2.99 (-08 bps)	Merrill Lynch High Yield Indices:	
30 Yr. T-Bond:	4.22 (-02 bps)	BB, 7-10 Yr.:	6.38% (+13 bps)
		B, 7-10 Yr.:	7.56% (unch.)

Treasury prices were mixed for the week, with prices relatively unchanged for the shortest and longest maturities and higher prices in between. Lower than expected housing and consumer confidence numbers on Tuesday had little effect on prices, but Wednesday's ISM Manufacturing report sent prices to their highest levels of the year. Treasuries retreated on Thursday as Moody's said it may place the government's current credit rating on review if no progress is made on the impending debt-limit. Prices turned higher Friday as payrolls were reported below expectations and the unemployment rate rose to 9.1%. In economic news this week, the March S&P/Case-Shiller Composite-20 Home Price Index fell 0.23% MoM, lower than the expected -0.20%. Consumer confidence dropped to 60.8 versus the consensus 66.6. Dallas Fed Manufacturing Activity slumped to a -7.4 level, below the expected 8.5. ISM manufacturing also missed projections coming in below the anticipated 57.1 at 53.5. Changes in nonfarm and private payrolls came in well below forecasts at 54,000 versus the expected 165,000 and 83,000 versus the expected 170,000 respectively. The unemployment rate also increased to 9.1%, higher than the expected 8.9%. Major economic reports (and related consensus forecasts) for next week include: Tuesday: April Consumer Credit ($5.00 billion); Wednesday: Fed's Beige Book released; Thursday: Initial Jobless Claims (419,000), April Trade Balance (-$48.8 billion) and Wholesale Inventories (+1.0%); and Friday: May Import Price Index (-0.7%, 11.2% YoY).

US Stocks

Weekly Index Performance:

DJIA:	12151.26 (-290.32,-2.3%)
S&P 500:	1300.16 (-30.94, -2.3%)
S&P MidCap:	961.25 (-28.94,-2.9%)
S&P Small Cap:	432.15 (-14.39,-3.2%)
NASDAQ Comp:	2732.78 (-64.08,-2.3%)
Russell 2000:	808.13 (-28.13,-3.4%)

Market Indicators:

Strong Sectors:	Health Care, Utilities, Energy
Weak Sectors:	Consumer Discretionary, Materials, Industrials
NYSE Advance/Decline:	859 / 2,317
NYSE New Highs/New Lows:	295 / 77
AAII Bulls/Bears:	30.2% / 33.4%

US stocks fell for a fifth consecutive week amid a broad-based retreat from risk. Losses came as several economic releases confirmed the economy has hit a soft patch. Developments in Greece and haggling over the federal debt limit weighed on sentiment. The most disappointing news came in the form of Friday's jobs report which showed far fewer jobs were added in May than expected while prior months' additions were revised downwards. Also, the unemployment rate rose to 9.1%. Manufacturing activity slowed more than expected in May, though temporary factors including Japan certainly played a role. The monthly ISM non-manufacturing report by contrast showed activity in the service sector was strong. An index of home prices for Q1 fell to a level last seen in 2002. May was a down month for equities. The DJIA fell 1.9%, the S&P 500 fell 1.4%, the Nasdaq lost 1.3% and the Russell 2000 fell 2%. In other news, **Groupon** filed to raise $750 million from public markets in a deal that could value the company at $20 billion. **Marathon Oil** acquired properties in the Eagle Ford shale for $3.5 billion. **Sealed Air** agreed to buy privately-held specialty chemicals maker Diversey Holdings in a $4.3 billion deal. Looking ahead, the coming week will likely see investors remain focused on the economy in an attempt to divine whether the current soft patch precedes further trouble ahead, or whether it is merely a speed bump on the road to further recovery. Consensus earnings estimates continue to creep higher which imply - on the surface at least - stocks are getting cheaper. Furthermore the market's cumulative retreat has been fairly benign and weak readings on the economy likely only further push out the timetable for any monetary policy tightening by the Federal Reserve. The employment and housing markets will likely need to show more vigor before investors are emboldened to take stocks higher.