US Economy and Credit Markets

Yields and Weekly Changes:

3 Mo. T-Bill:	0.03 (-02 bps)	GNMA (30 Yr) 6% Coupon:	111-25/32 (1.96%)
6 Mo. T-Bill:	0.06 (-01 bps)	Duration:	3.64 years
1 Yr. T-Bill:	0.11 (-01 bps)	30-Year Insured Revs:	150.84 % of 30 Yr. T-Bond
2 Yr. T-Note:	0.45 (+02 bps)	Bond Buyer 40 Yield:	4.79 (-02 bps)
3 Yr. T-Note:	0.91 (+01 bps)	Crude Oil Futures:	101.67 (+2.21)
5 Yr. T-Note:	1.74 (+4.1 bps)	Gold Futures:	1,293.80 (-42.20)
10 Yr. T-Note:	2.72 (-02 bps)	Merrill Lynch High Yield Indices:	
30 Yr. T-Bond:	3.54 (-06 bps)	U.S. High Yield:	6.13% (-03 bps)
		BB:	4.79% (-03 bps)
		B:	6.07% (-05 bps)

Government debt showed some volatility this week amid tensions in the Crimean peninsula, speculation over rate increases, and mixed economic reports. On Monday longer dated treasuries moved higher, tightening the spread between long and short dated maturity yields as investors speculated that the Federal Reserve would raise interest rates sooner than expected. Yet Treasuries reversed course the next day as March Consumer Confidence Data was better than expected, printing at 82.3 vs. expectations of 78.5. Midweek economic data showed Durable Goods Orders for February beat expectations rising 2.2%, prompting speculation that the economy would recover faster than expected. The strong data supported the theory that the Fed may hike rates and Treasuries rallied broadly amid rising tension surrounding Russia's annexation of Crimea. On Thursday, Q4 GDP was reported at 2.6%, just missing survey estimates, while Personal Consumption advanced 3.3%, exceeding analyst estimates for a 2.7% increase, and Feb. Pending Home Sales fell -10.2% YoY. On Friday, reports showed a strong rebound in U.S. consumer data as Feb. Personal Income and Spending each advanced .3% MoM, causing Treasuries to drop slightly lower, but still close the week higher for longer durations. Major economic reports (and related consensus forecasts) for the upcoming week include: Monday: Mar. Chicago Purchasing Manager Index (58.5); Tuesday: Mar. ISM Manufacturing (54.0), Mar. Dom Vehicles (?), Feb. Construction Spending (+.1% MoM), and Mar. ISM Prices Paid (59.0); Wednesday: Mar. ADP Employment Change (190k) and Feb. Factory Orders (.8%); Thursday: Feb. Trade Balance (-38.5B) and Mar. ISM Non-Manf. Composite (53.5); Friday: Mar. Change in Nonfarm Payrolls (190k) and Mar. Unemployment Rate (6.6%).

US Equities

Weekly Index Performance:			Market Indicators:	
DJIA:	16,323.06	(0.12%)	Strong Sectors:	Energy, Telecommunications, Utilities
S&P 500:	1,857.62	(-0.48%)		
S&P Midcap:	1,358.20	(-1.57%)	Weak Sectors:	Financials, Materials, Consumer Discretionary
S&P Smallcap:	659.25	(-2.82%)		
NASDAQ Comp:	4,155.76	(-2.83%)	NYSE Advance/Decline:	1,485/ 1,712
Russell 2000:	1,151.81	(-3.51%)	NYSE New Highs/New Lows:	213/ 64
			AAII Bulls/Bears:	31.2% / 28.6%

Markets traded lower as investors took profits from many names with larger run-ups and moved into safer assets. Russia remained in the forefront of investors' minds as President Obama warned of further consequences for the annexation of Crimea. Economic data was mixed for the week as durable goods orders beat expectations and 4th quarter GDP was revised upward to 2.6% from 2.4%. However, new home sales fell to a five month low as sales languished due to a colder-than-normal winter, higher interest rates and limited supply. For equities, **Facebook Inc.** fell after announcing the acquisition of **Oculus VR Inc.** for $2 billion, a maker of virtual-reality headsets. **Facebook Inc.** is expanding on its mobile presence with the recent acquisitions of **What's App Inc.** and now **Oculus VR Inc.** However, many investors are concerned by the potential lack of capital discipline**.** Another high flying stock, **Netflix Inc.** slumped following a report that **Apple Inc.** is in talks with Comcast Corp. to form a streaming partnership. Despite passing quantitatively, **Citigroup Inc.** capital plan failed the Federal Reserve's stress test as the company planned to quintuple its dividend to 5 cents and initiate a $6.4 billion buyback. The Fed called into question the ability of management to adequately project losses of its global operations. Other U.S. banks received positive news as **Bank of America** raised their dividend to 5 cents from a penny and **JP Morgan Chase** increased their dividend and authorized a $6.5 billion buyback. The energy sector was the best performing sector for the week as land service names continued to move higher on increased E&P capital budgets and an expected tightening of supply in the market. Despite the long term upward movement in the stock market, valuations remain in line with long term averages and their remains pockets of opportunity to buy certain sectors at a discount to their historic valuations. Banks look especially appealing with price-to-book ratios well below historic levels and positive results from the Fed stress test coupled with increased capital deployment could provide a catalyst for the industry.