US Economy and Credit Markets

Yields and Weekly Changes:

3 Mo. T-Bill:	0.04 (+01 bps)	GNMA (30 Yr) 6% Coupon:	111-29/32 (1.72%)
6 Mo. T-Bill:	0.05 (unch.)	Duration:	3.64 years
1 Yr. T-Bill:	0.09 (-01 bps)	30-Year Insured Revs:	153.01 % of 30 Yr. T-Bond
2 Yr. T-Note:	0.36 (-05 bps)	Bond Buyer 40 Yield:	4.63 (-08 bps)
3 Yr. T-Note:	0.80 (-07 bps)	Crude Oil Futures:	103.38 (+2.24)
5 Yr. T-Note:	1.58 (-12 bps)	Gold Futures:	1,303.2 (+14.90)
10 Yr. T-Note:	2.63 (-09 bps)	Merrill Lynch High Yield Indices:	
30 Yr. T-Bond:	3.49 (-09 bps)	U.S. High Yield:	6.09% (+01 bps)
		BB:	4.75% (-01 bps)
		B:	6.13% (+02 bps)

Equities struggled last week and the resulting appetite for lower risk contributed to bond prices rising as yields fell. Earnings also got off to a bad start for the first quarter which calls into question whether continued growth can be sustained and has resulted in greater demand for low risk treasuries, which are not seeing yields rise as fast as was expected. The underlying bond environment is little changed with the overnight bank lending rate still at 0-.25%, the Federal Reserve continuing to slowly unwind its bond-purchase program and inflation is stable. In spite of the market downdraft, economic reports on the week were generally positive. Reports got off to a slow start as The MBA Mortgage Application Index showed a drop due to continued slow re-financing activity. Tuesday's Jobless claims came in better than expected as 300,000 Americans filed for jobless claims for the week ended April 5th. The Labor Department's Producer-Price Index (PPI) came out Friday and registered an increase of .5% for the prior month. Gasoline and Food cost continue to climb but nonetheless, Friday's University of Michigan April Confidence Survey revealed consumer sentiment reaching its highest level since last summer. It bounced to 82.6 ahead of an estimated 81. Expectations are for consumer confidence to continue rebounding into the spring thanks for more temperate weather. The debated 'thaw' is expected to bring positive economic reports through the spring as consumer activity rebounds from the harsh winter. Major economic reports (and related consensus forecasts) for the upcoming week include: Monday: March Advance Retail Sales (0.8%, +.5%); Tuesday: March Empire Manufacturing (8.00, +2.39) and March CPI (.1%, unch.); Wednesday: MBA Mortgage Applications, March Housing Starts (975,000, +68,000) and Industrial Production (.5%, -.1%); Thursday: Prior Week Initial Jobless Claims (311,000, +5,000).

US Equities

Weekly Index Performance:		Market Indicators:	
DJIA:	16,026.75 (-2.31%)	Strong Sectors:	Utilities, Cons. Staples, Telecom
S&P 500:	1,815.69 (-2.60%)		
S&P Midcap:	1,318.50 (-3.53%)	Weak Sectors:	Health Care, Financials, Cons. Discretionary
S&P Smallcap:	642.79 (-3.10%)		
NASDAQ Comp:	3,999.73 (-3.09%)	NYSE Advance/Decline:	975 / 2,241
Russell 2000:	1,111.44 (-3.62%)	NYSE New Highs/New Lows:	134 / 78
		AAII Bulls/Bears:	28.5% / 34.1%

After setting a record high last week, the S&P 500 Index closed down nearly 2.6% this week, which was the largest weekly loss since 2012. The decline was fueled by valuation concerns in some high growth equities, particularly in the technology and health care sectors. Between Thursday and Friday, the NASDAQ Composite Index fell over 4.4%, the biggest two day drop since 2011. For the week, **Intuitive Surgical Inc.** had a -13% return, **SanDisk Corp.** -9% return, **Gilead Sciences Inc.** -8.6% return, **Yahoo! Inc.** -4% return and **Amazon.com Inc.** had a -3.5% return. Tuesday evening marked the unofficial start to earnings season when **Alcoa Inc.** reported strong earnings and revenue that helped markets rally Wednesday. Aiding in Wednesday's rally was the release of the Federal Reserve meeting minutes, which helped to ease concerns about the timing of future interest rate increases. The relief was short lived as markets sank Thursday and Friday. **JP Morgan** fell 6.7% between the two days, when the bank announced financials that missed earnings and revenue expectations. Jamie Dimon, CEO of JP Morgan, credited the banks iffy first quarter performance to industry-wide headwinds in the security markets and mortgage portions of the bank. **Wells Fargo & Co.** rallied 0.8% on Friday as the mega bank announced they exceeded analyst estimates for earnings and revenue. John Stumpf, the CEO of Wells Fargo, credited their success to their diversified business model, along with strong loan and deposit growth. **Bed Bath & Beyond** slid over 6% Thursday, as the home good retailer announced revenue and earnings that were below analyst estimates. **Family Dollar Stores Inc.** fell over 3% on Thursday as the discount retailer announced poor earnings and revenue numbers. Next week should offer a better understanding of how strong first quarter 2014 earnings were as **Citigroup Inc.**, **Johnson & Johnson**, **Coca-Cola Co.**, **Intel Corp.**, **Yahoo! Inc.**, **Bank of America Corp.**, **American Express Co.**, and many others are all expected to announce results.