US Economy and Credit Markets

Yields and Weekly Changes:

3 Mo. T-Bill:	0.03 (-01 bps)	GNMA (30 Yr) 6% Coupon:	111-26/32 (1.79%)
6 Mo. T-Bill:	0.05 (unch.)	Duration:	3.64 years
1 Yr. T-Bill:	0.09 (unch.)	30-Year Insured Revs:	153.53 % of 30 Yr. T-Bond
2 Yr. T-Note:	0.40 (+04 bps)	Bond Buyer 40 Yield:	4.65 (+02 bps)
3 Yr. T-Note:	0.91 (+11bps)	Crude Oil Futures:	104.50 (+0.76)
5 Yr. T-Note:	1.73 (+17 bps)	Gold Futures:	1,293.40 (-25.30)
10 Yr. T-Note:	2.63 (+10 bps)	Merrill Lynch High Yield Indices:	
30 Yr. T-Bond:	3.45 (+04 bps)	U.S. High Yield:	6.04% (-05 bps)
		BB:	4.73% (-02 bps)

Following market turmoil the past few weeks, which had caused Treasuries to rally strongly, government debt traded lower throughout the holiday shortened week as better than expected economic data brought risk appetite back and pushed yields up. On Monday, Treasuries slumped when much anticipated retail numbers were stronger than forecast. U.S. Retail Sales rose 1.1% in March, the biggest increase since September 2012. On Tuesday, April Empire Manufacturing missed expectations and the index dropped to 1.29, against expectations for a reading of 8, while the March CPI was reported to have increased by .2% MoM. In the geopolitical arena, Ukraine embarked on military operations to oust pro-Russian protestors, further spurring demand for safer assets. Midweek economic reports showed that Housing starts in March were only 946k, missing expectations, while Industrial Production grew .7% MoM ahead of expectations. Federal Reserve President Janet Yellen, speaking at the Economic Club of New York, also reiterated the central banks continuing commitment to supporting a full recovery, causing Treasuries to drop. On Thursday, government debt took a big dive and yields jumped when talks in Geneva between Russian and Ukrainian leaders yielded concrete plans to deescalate tensions. Jobless Claims in the US also dropped more than expected, underscoring an improving employment picture and also contributing to Treasuries' drop. Major economic reports (and related consensus forecasts) for the upcoming week include: Monday: March Leading Index (+.7%); Tuesday: March Existing Home Sales (-1.1% MoM/4.55M); Wednesday: March New Home Sales (+2.3% MoM/450k); Thursday: March Durable Goods Orders (+2%) and Capital Goods Orders Nondefense Ex Air (+1.3%); Friday: April Univ. of Michigan Confidence (83.0).

US Stocks

Weekly Index Performance:

DJIA:	16408.54 (2.41%)
S&P 500:	1864.85 (2.72%)
S&P MidCap:	1351.42 (2.50%)
S&P Small Cap:	657.73 (2.34%)
NASDAQ Comp:	4095.516 (2.40%)
Russell 2000:	1137.899 (2.39%)

Market Indicators:

Strong Sectors:	Energy, Industrials, Materials
Weak Sectors:	Utilities, Telecom, Info Tech
NYSE Advance/Decline:	2,394/812
NYSE New Highs/New Lows:	190/86
AAII Bulls/Bears:	27.2%/34.3%

Investors were feeling sanguine as the S&P 500 returned 2.72% compared to the previous week's loss of 2.60%. Markets regained their confidence despite the ongoing standoff in Ukraine and economic uncertainty in China. It was announced that China's economic growth was 7.4% compared to last year's growth of 7.7%. This is the slowest pace of GDP growth in a year and a half. Last week, many of the banks reported first quarter earnings. **Morgan Stanley** announced earnings of 72 cents per share compared to 49 cents per share in the previous year. Rival investment bank, **Goldman Sachs** was not as fortunate. Goldman saw an 11% decline in first quarter profits reporting EPS of $4.00 compared to $4.52 in the first quarter of last year. **Citigroup** fared well reporting earnings of $1.49 surpassing analyst expectations and growing earnings 6% year over year. Unfortunately, investors in **Bank of America** did not fare as well. The nation's second largest bank by deposits reported a $276 million loss for the quarter. While the bank's underlying operations performed well, the company continues to be hampered by legal reserves. Economic bellwether, **Union Pacific**, reported a strong quarter growing earnings to $2.38 per share from $2.03 per share in the first quarter of 2013. Next week represents a busy week for companies reporting earnings. **Comcast** investors will look to hear if the company has been able to continue its growth in cable subscribers. China watchers will hope to get a glimpse into the health of the country's economy when **Yum! Brands** reports.