US Economy and Credit Markets

3 Mo. T-Bill:	0.00 (-03 bps)	GNMA (30 Yr) 6% Coupon:	113-30/32 (1.23%)
6 Mo. T-Bill:	0.09 (-05 bps)	Duration:	3.73 years
1 Yr. T-Bill:	0.21 (-03 bps)	Bond Buyer 40 Yield:	4.20 (-09 bps)
2 Yr. T-Note:	0.57 (-08 bps)	Crude Oil Futures:	45.72 (+0.88)
3 Yr. T-Note:	0.92 (-13 bps)	Gold Futures:	1184.60 (+32.2)
5 Yr. T-Note:	1.40 (-15 bps)	Merrill Lynch High Yield Indices:	
10 Yr. T-Note:	1.92 (-15 bps)	U.S. High Yield:	6.61% (-02 bps)
30 Yr. T-Bond:	2.50 (-15 bps)	BB:	4.98% (-03 bps)
		B:	7.02% (unch.)

Bonds had a volatile week as investors continue focusing on the Federal Reserve and its language regarding possible rate hikes. Wednesday's Federal Reserve meeting left rates unchanged; they continue to fall between 0% and .25% and while it removed the 'patient' language, the Fed continued to display patient behavior as the policy statement lowered forward interest rate estimates. United States Treasuries continue to have higher yields than many developed countries globally and so remain relatively attractive placing continued upward pressure on the dollar. The current global interest rate environment, global low-inflation environment and strong dollar represent headwinds which make aggressive interest rate increases by the Federal Reserve unlikely. Monday's industrial production report showed production rising .1% in February even in the face of poor winter weather, a west coast port strike and falling oil prices. Tuesday's report on housing starts was weak as starts fell 17% for the prior month, the largest drop in four years. Additionally, the NAHB index, measuring confidence in home builders, fell to 53 in March. Readings above 50 indicate positive conditions. Major economic reports (and related consensus forecasts) for the upcoming week include: Monday: February Existing Home Sales; Tuesday: February CPI (+.2% MoM), February New Home Sales (-2.6%); Wednesday: February Durable Goods Orders (+.2%); Thursday: Prior Week Initial Jobless Claims (290K); Friday: Annualized QoQ GDP (+2.4%) and University of Michigan March Sentiment (92).

US Equities

Weekly Index Performance:			Market Indicators:	
DJIA:	18,127.65	(+2.13%)	Strong Sectors:	Health Care, Utilities, Energy
S&P 500:	2,108.10	(+2.67%)		
S&P Midcap:	1,539.61	(+3.26%)	Weak Sectors:	Materials, Telecom, Financials
S&P Smallcap:	727.26	(+2.84%)		
NASDAQ Comp:	5,026.42	(+3.18%)	NYSE Advance/Decline:	2,515/ 745
Russell 2000:	1,266.37	(+2.79%)	NYSE New Highs/New Lows:	422/172
			AAII Bulls/Bears:	27.2% / 31.5%

Equity markets rallied for the week after the Federal Reserve said growth has "moderated somewhat", leading to speculation that a rate increase would likely be pushed out to the latter half of the year. Janet Yellen, Chair of the Federal Reserve, reassured the market that the Fed will not be quick to raise rates until the labor market improves further and inflation returns to targeted levels, despite removing the word "patient" from the statement. Economic data came in mainly below expectations as a strong dollar, cold weather, and delays from West Coast ports had a negative impact on industrial production, which came in below expectations. In addition to weak manufacturing data, housing starts declined the most since February 2011 due to the harsh weather in February. In corporate news, **Apple Inc.** gained after it was reported they are in talks with programmers to offer a TV package to consumers later this year. **Target Corp.** will increase all workers pay to at least nine dollars an hour next month, matching moves by **Wal-Mart Stores Inc.** and **TJX Cos.** Homebuilders **Lennar Corp.** and **KB Home** posted strong orders for new homes as the spring sales season is off to a strong start for both firms. In merger news, **Valeant Pharmaceuticals Intl.** increased its price for **Salix Pharmaceuticals Ltd.** to $173 a share, ending **Endo Intl. PLC's** bid to buy the company. **LifeTime Fitness Inc.**, a premium gym operator, agreed to be bought out by private equity for $2.8 billion. We remain constructive on the equity markets as slightly slower growth, partially due to the West Coast strike and a cold winter, should be met with continued easy policy by the Fed. With low inflation due to the strong dollar and a 50% drop in oil prices, the Fed has plenty of leeway to keep rates low.