

Weekly Capital Markets

April 19, 2010



Market Review

The Week in Review

Economic Releases for the Week Ending 4/16/10

	**Consensus	Actual	Prior Period
March CPI	0.1%	0.1%	0.0%
March Retail Sales	1.2%	1.6%	0.5%
April NAHB Index	16	19	15

The big headline from last week was the SEC charging Goldman Sachs with fraud, which in turn drove stock prices lower and bond prices higher. The U.S. S&P 500 ended the week down 0.19% at 1,192.13 (up 6.91% for the year), while U.S. Treasury yields fell to their lowest levels in nearly a month. The yield on the benchmark 10-year Treasury was down 12 basis points to 3.76%.

Economic news was mixed. Some of the more positive releases included news on inflation, consumer spending, and housing. Headline consumer price inflation, as measured by the consumer price index (CPI), met expectations and rose just 0.1% during the month of March, while core CPI, excluding food and energy, eased to flat. Year-over-year, headline CPI is 2.4% higher while core CPI is up 1.2%. The slight increases should help ease concerns over increasing inflation due to loose monetary policies, at least temporarily. Retail sales beat expectations for an increase of 1.2%, having risen 1.6% in March. Retail sales had risen 0.5% in February. Motor vehicle sales provided a big boost to the headline number, having risen 6.7% in March after falling 1.9% in February. Excluding autos, sales were still 0.5% higher. There was also positive news out of the housing sector, as the National Association of Homebuilders (NAHB) index beat expectations and rose from 15 to 19. Housing starts were also higher, having risen 1.6% in March. March's annualized pace of 626,000 new units is up more than 20% from last year's numbers. The question is whether or not this good news will continue once the second round of stimulus expires in the coming months.

The Week Ahead

Economic Releases for the Week Ending 4/23/10

	**Consensus	Prior Period
March Leading Indicators	1.1%	0.1%
March Existing Home Sales	5.25M	5.02M
March Durable Goods Orders	0.4%	0.5%

The week ahead is very light on economic data and the focus will likely be on things other than the economic releases, including corporate earnings announcements, financial reform, and the Goldman Sachs situation. Of the economic releases, the focus will likely be on the leading indicators, housing and durable goods orders. The leading economic indicators are expected to rise for the twelfth consecutive month. Expectations are for the index to climb 1.1% after rising 0.1% in February. A key driver for the indicators should be continued strength in manufacturing, as indicated by last month's ISM survey. Existing home sales will also be released and are expected to rise 4.6% to an annualized pace of 5.25 million, while new home sales are expected to bounce from their record low pace of 308,000 and rise 7.1% to an annualized pace of 330,000. Both numbers should be helped by the pending expiration of the homebuyer tax credits at the end of April. Finally, March's durable goods orders will be released and are expected to have risen 0.4%. This would mark the fourth consecutive month with an increase in durable goods orders. Excluding transportation, orders for durables are expected to have risen by 0.7% in March after rising 0.9% in February.

World Bond Rates	4/16/10	1-Wk Chg	4-Wk Chg	YTD
US 10y	3.76%	-0.12%	0.07%	-0.07%
GBR 10y	3.98%	-0.06%	0.03%	-0.03%
GER 10y	3.08%	-0.08%	-0.02%	-0.30%
CAN 10y	3.68%	0.03%	0.20%	0.07%
JAP 10y	1.39%	0.03%	0.04%	0.10%

Central Bank Rates	4/16/10	12/31/09	9/30/09	6/30/09
US Fed Funds	0.25	0.25	0.25	0.25
UK Bank Rate	0.50	0.50	0.50	0.50
GER Base Rate	1.00	1.00	1.00	1.00
CAN Bank Rate	0.25	0.25	0.25	0.25
JAP Disc Rate	0.10	0.10	0.10	0.10
3 Mo-LIBOR	0.31	0.25	0.28	0.56

Risk Premiums	4/16/10	1-Wk Chg	4-Wk Chg	YTD
*CDX (bps)	85	-1	-4	0
*30 Day T-Yld Vol.	82.9	-6.9	3.5	-24.6
VIX	18.36%	2.22%	1.39%	-3.32%

Currencies	4/16/10	1-Wk Chg	4-Wk Chg	YTD
USD/EUR	1.35	0.00	0.00	-0.08
USD/CAN	0.99	-0.01	0.00	0.04
JPY/USD	92.17	-1.01	1.63	-0.85

Commodities	4/16/10	1-Wk Chg	4-Wk Chg	YTD
Gold (oz.)	\$1,136.30	-\$24.80	\$28.70	\$40.10
Oil (barrel)	\$83.24	-\$1.68	\$2.56	\$3.88
Wholesale Gasoline (gal)	\$2.28	-\$0.01	\$0.02	\$0.22
Natural Gas (mcf)	\$4.04	-\$0.03	-\$0.13	-\$1.53

Equity Markets	4/16/10	1-Wk Chg	4-Wk Chg	YTD
S&P 500	1,192.13	-0.19%	2.78%	6.91%
FTSE 100	5,743.96	-0.47%	1.66%	6.12%
DAX	6,180.90	-1.10%	3.32%	3.75%
S&P/TSX Comp	12,070.66	-0.87%	1.03%	2.76%
NIKKEI	11,102.18	-0.91%	2.56%	5.27%

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* DJ CDX.NA.IG.10 5Yr; 30 Day Avg. 1-month TSY Yield Volatility

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