

Weekly Capital Markets

May 10, 2010



Market Review

The Week in Review

Economic Releases for the Week Ending 5/07/10

	**Consensus	Actual	Prior Period
April Non-Mfg. ISM Index	56.4	55.4	55.4
April Non-Farm Payrolls	200k	290k	230k
April Unemployment Rate	9.7%	9.9%	9.7%

For the second consecutive week, concerns over Greece's debt problems sent shockwaves through global financial markets. This time the markets did not fare quite as well though, as the majority of equity markets around the world lost upwards of 6.0%. Investors continued to flee riskier asset classes, including stocks, in favor of safer ones, primarily U.S. Treasuries. On Thursday, U.S. stock markets went on an unprecedented roller coaster ride that included a temporary 1,000 point drop in the Dow. The index recovered most of the gain within 20 minutes, but still ended the day down nearly 350 points. For the week, the U.S. S&P 500 lost 6.39% and turned negative for the year. Yields on U.S. Treasuries fell across the curve, with 10- and 30-year bonds falling 23 and 25 basis points, respectively.

The economic news was better, but not strong enough to keep the markets from their nosedive. Friday's employment report was better than expected and indicated that the economy added 290,000 jobs in April. February and March were also revised higher to the tune of 121,000 jobs. Hiring for the census contributed just 66,000 jobs, meaning that the private sector added 231,000 people to the payrolls. Apparently as the job market has improved, more people have begun looking for work. This jump in the labor force drove an increase in the unemployment rate from 9.7% to 9.9%. The ISM indices continued to indicate strength in both the manufacturing and services sectors. Non-manufacturing ISM remained at 55.4 for the second consecutive month, while manufacturing ISM climbed from 59.6 to 60.4, its highest reading in six years.

The Week Ahead

Economic Releases for the Week Ending 5/14/10

	**Consensus	Prior Period
March Trade Balance	\$-41.0B	\$-39.7B
April Retail Sales	0.2%	1.6%
April Industrial Production	0.6%	0.1%

The focus of the week ahead will remain on Greece and any potential solution that may come from the European Union. Some sort of announcement is likely in order to calm the fears of investors and avoid a broader sovereign debt crisis that could lead to further weakening of the euro. The economic calendar in the U.S. is light and will not garner much attention. Releases for the week include the U.S. trade balance, retail sales, and industrial production. The U.S. trade deficit is expected to have risen from \$-39.7 billion to \$-41.0 billion in March. The growing deficit has been led by the non-petroleum balance in the past several months, but is likely to have widened in March due to higher oil prices. After rising 1.6% in March, retail sales are expected to have risen just 0.2% in April. Sales have been strong over the last several months and have enjoyed a nice contribution from auto sales, but the contribution from autos is likely to have eased in April. Excluding the auto sector, sales are likely to have risen 0.5%. Finally, industrial production is expected to have climbed from 0.1% in March to 0.6% in April. The increase is expected to be driven by the manufacturing component as aggregate production hours worked were 0.8% higher during the month.

World Bond Rates	5/07/10	1-Wk Chg	4-Wk Chg	YTD
US 10y	3.42%	-0.23%	-0.46%	-0.42%
GBR 10y	3.83%	-0.02%	-0.21%	-0.18%
GER 10y	2.80%	-0.22%	-0.37%	-0.59%
CAN 10y	3.50%	-0.15%	-0.15%	-0.11%
JAP 10y	1.28%	-0.01%	-0.11%	-0.01%

Central Bank Rates	5/07/10	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	0.43	0.29	0.25	0.28

Risk Premiums	5/07/10	1-Wk Chg	4-Wk Chg	YTD
*CDX (bps)	118	26	32	33
*30 Day T-Yld Vol.	116.7	31.2	26.9	9.2
VIX	40.95%	18.90%	24.81%	19.27%

Currencies	5/07/10	1-Wk Chg	4-Wk Chg	YTD
USD/EUR	1.27	-0.06	-0.08	-0.16
USD/CAN	0.96	-0.02	-0.04	0.01
JPY/USD	91.59	-2.26	-1.59	-1.43

Commodities	5/07/10	1-Wk Chg	4-Wk Chg	YTD
Gold (oz.)	\$1,209.10	\$28.40	\$48.00	\$112.90
Oil (barrel)	\$75.42	-\$10.73	-\$9.50	-\$3.94
Wholesale Gasoline (gal)	\$2.13	-\$0.26	-\$0.16	\$0.08
Natural Gas (mcf)	\$4.02	\$0.09	-\$0.06	-\$1.56

Equity Markets	5/07/10	1-Wk Chg	4-Wk Chg	YTD
S&P 500	1,110.88	-6.39%	-6.99%	-0.38%
FTSE 100	5,123.02	-7.75%	-11.23%	-5.36%
DAX	5,715.09	-6.86%	-8.55%	-4.07%
S&P/TSX Comp	11,692.43	-4.24%	-3.98%	-0.46%
NIKKEI	10,364.59	-6.27%	-7.49%	-1.72%

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

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