

# Weekly Capital Markets

May 31, 2010



## Market Review

### The Week in Review

#### Economic Releases for the Week Ending 5/28/10

	**Consensus	Actual	Prior Period
April Existing Home Sales	5.6M	5.77M	5.35M
Q1 GDP	3.5%	3.0%	3.2%
April Personal Income	0.5%	0.4%	0.3%

Volatility and uncertainty continued to be two of the top forces driving financial markets last week. Despite mixed economic news and the uncertainties surrounding the European debt crisis, the oil spill, and financial reform, the U.S. S&P 500 managed to gain 0.16% last week to finish at 1,089.41. The S&P is still down more than 8% in the last four weeks and 2.30% year-to-date. After falling nearly twenty basis points in the previous week, the yield on the benchmark ten-year U.S. Treasury climbed five basis points to end the week at 3.29%. On the currency and commodity front, the Euro continued to weaken against the dollar, falling another \$.03 to \$1.23 USD/EUR, while commodities were broadly higher, highlighted by gold which rose \$37.60 to \$1,213.70/oz.

Economic releases went relatively unnoticed. The number of existing homes sold in April rose more than 7% from the previous month, from an annualized rate of 5.35 million to 5.77 million. A portion of the increase could be attributable to the expiration of the homebuyer tax credit, which expired at the end of the month. On a negative note, the supply of homes rose more than 11% to 8.5 months. The revised estimate of first quarter gross domestic product (GDP) failed to meet expectations and fell to 3.0% from 3.2%. Expectations were for growth to have climbed 3.5% in the first quarter.

### The Week Ahead

#### Economic Releases for the Week Ending 6/4/10

	**Consensus	Prior Period
May Non-Mfg ISM	55.5	55.4
May Non-Farm Payrolls	508k	290k
May Unemployment Rate	9.8%	9.9%

The holiday-shortened week ahead will be packed with not only top-tier economic releases, but also continued updates on the European debt crisis, progress towards financial reform, and the ongoing battle to contain the oil spill in the Gulf of Mexico. The focus of the economic releases will be on the labor market, highlighted by Friday's release of the May employment report. Economists expect that the economy added more than 500,000 jobs in April, with more than 200,000 of those jobs coming from the private sector. The increase in payrolls is not expected to reduce the unemployment rate significantly however, as expectations are for unemployment to remain stubbornly high at 9.8%. The number of initial jobless claims is also expected to remain elevated in the 460,000 range. After peaking in the 650,000 range in early 2009, the number of initial claims had progressively declined until about February of this year. Since that time, the number of people filing new jobless claims has remained in the current area. In other economic news, the ISM indices are expected to continue to show strength, with expectations for the manufacturing and non-manufacturing sectors to report at 59.5 and 55.4, respectively.

World Bond Rates	5/28/10	1-Wk Chg	4-Wk Chg	YTD
US 10y	3.29%	0.05%	-0.36%	-0.55%
GBR 10y	3.58%	0.03%	-0.27%	-0.43%
GER 10y	2.68%	0.02%	-0.34%	-0.71%
CAN 10y	3.30%	-0.05%	-0.35%	-0.31%
JAP 10y	1.26%	0.01%	-0.03%	-0.04%

Central Bank Rates	5/28/10	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	0.54	0.29	0.25	0.28

Risk Premiums	5/28/10	1-Wk Chg	4-Wk Chg	YTD
*CDX (bps)	115	-5	23	30
*30 Day T-Yld Vol.	112.1	3.4	26.6	4.6
VIX	32.07%	-8.03%	10.02%	10.39%

Currencies	5/28/10	1-Wk Chg	4-Wk Chg	YTD
USD/EUR	1.23	-0.03	-0.10	-0.20
USD/CAN	0.95	0.01	-0.03	0.00
JPY/USD	91.08	1.08	-2.77	-1.94

Commodities	5/28/10	1-Wk Chg	4-Wk Chg	YTD
Gold (oz.)	\$1,213.70	\$37.60	\$33.00	\$117.50
Oil (barrel)	\$74.09	\$4.05	-\$12.06	-\$5.27
Wholesale Gasoline (gal)	\$2.02	\$0.06	-\$0.38	-\$0.03
Natural Gas (mcf)	\$4.34	\$0.30	\$0.42	-\$1.23

Equity Markets	5/28/10	1-Wk Chg	4-Wk Chg	YTD
S&P 500	1,089.41	0.16%	-8.20%	-2.30%
FTSE 100	5,188.43	2.48%	-6.57%	-4.15%
DAX	5,946.18	2.01%	-3.09%	-0.19%
S&P/TSX Comp	11,671.44	1.30%	-4.42%	-0.64%
NIKKEI	9,762.98	-0.22%	-11.71%	-7.43%

Past performance is not necessarily a guide to future results. This commentary contains the current opinions of Aviva Investors and is not intended to be, and should not be interpreted as, a recommendation of any particular security, strategy or investment product. Such opinions are subject to change without notice. This commentary is distributed for informational purposes only and is not a recommendation or investment advice. The information herein is based on sources which Aviva Investors believes to be reliable, but is not guaranteed to be accurate or complete.

No part of this commentary may be reproduced in any form, or referred to in any other publication, without the express written permission of Aviva Investors North America, Inc.

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

\*\* www.bloomberg.com