Weekly Capital Markets
Market Review
June 14, 2010

AVIVA INVESTORS

The Week in Review

Economic Releases for the Week Ending 6/11/10	**Consensus	Actual	Prior Period
April Trade Balance	$-41.0B	$-40.3B	$-40.0B
May Retail Sales	0.4%	-1.2%	0.6%
U. of Michigan Sentiment	74.0%	75.5%	73.6%

Financial markets continued to swing violently last week, highlighted by a 3.0% gain in the U.S. S&P 500 on Thursday. Investors seemed to be buoyed not only by export data out of China indicating that global demand remains strong, but also by a slight rebound in the Euro. The majority of global equity markets were higher for the week and the S&P 500 was up 2.51%. Increases in equities also drove Treasury yields higher; the yield on the 10-year U.S. Treasury climbed three basis points from 3.21% to 3.24%. The equity rally did not roll over into the bond market and spreads on both investment grade and high yield bonds widened over the week as bond investors remained cautious due to uncertainties caused by the oil spill and the sovereign debt crisis.

Recent economic releases indicate that consumers are giving mixed signals regarding their feelings on the economy. Retail sales and trade numbers indicate a consumer that has retrenched a bit, but consumer sentiment releases continue to get stronger. Retail sales unexpectedly declined in May, missing expectations for an increase of 0.4%. Sales fell by the largest amount since September 2009 (-1.2%), after climbing a revised 0.6% in April. The decline could be a signal that consumers are tightening their budgets and increasing savings as concerns remain on the labor and stock markets. Excluding autos, retail sales fell 1.1%. Another signal of weaker demand came in the form of the U.S. trade deficit, which grew from $40.0 billion in March to $40.3 billion in April. The increase in the deficit was primarily driven by weaker exports of consumer goods, possibly indicating weaker global demand but also likely driven by a higher dollar. Exports fell 0.7% during the month, while imports declined by 0.4%. On a positive note, the University of Michigan Confidence index reached its highest level since January of 2008, having climbed from 73.6 to 75.5.

The Week Ahead

Economic Releases for the Week Ending 6/18/10	**Consensus	Prior Period
May Housing Starts	648k	672k
May Industrial Production	0.8%	0.8%
May CPI	-0.1%	-0.1%

Economic releases will continue to take a back seat to the oil spill in the Gulf of Mexico, financial regulation reform, and the European debt crisis. BP appears to have a process in place to collect a portion of the oil that has been spilling into the gulf, but a permanent fix is still a ways off. President Barack Obama is making his fourth trip to the Gulf this week and will be addressing the nation early in the week. On the economic front, housing and inflation will be the focus. The National Association of Homebuilders (NAHB) index is expected to remain at 22 for the second consecutive month, while the expiration of the homebuyer tax credit will likely keep housing starts and building permits relatively soft. Starts are expected to fall 3.1% month-over-month to an annualized rate of 650,000, while permits are likely to rise 3.3% to an annualized rate of 630,000. Inflation is expected to remain tame. The headline consumer price index (CPI) is expected to have fallen 0.2% in May (up 2.0% year-over-year), while core CPI, excluding food and energy, is likely to have risen 0.1% last month (0.9% year-over-year).

World Bond Rates	6/11/10	1-Wk Chg	4-Wk Chg	YTD
US 10y	3.24%	0.03%	-0.22%	-0.60%
GBR 10y	3.46%	-0.05%	-0.29%	-0.55%
GER 10y	2.57%	-0.02%	-0.29%	-0.82%
CAN 10y	3.41%	0.11%	-0.03%	-0.21%
JAP 10y	1.24%	-0.04%	-0.07%	-0.06%

Central Bank Rates	6/11/10	3/31/10	12/31/09	9/30/09
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	0.50	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	6/11/10	1-Wk Chg	4-Wk Chg	YTD
*CDX (bps)	126	0	17	41
*30 Day T-Yld Vol.	105.9	-0.5	6.1	-1.6
VIX	28.79%	-6.69%	-2.45%	7.11%

Currencies	6/11/10	1-Wk Chg	4-Wk Chg	YTD
USD/EUR	1.21	0.01	-0.02	-0.22
USD/CAN	0.97	0.03	0.00	0.02
JPY/USD	91.65	-0.25	-0.82	-1.37

Commodities	6/11/10	1-Wk Chg	4-Wk Chg	YTD
Gold (oz.)	$1,228.90	$12.70	$1.10	$132.70
Oil (barrel)	$73.78	$2.27	$2.17	-$5.58
Wholesale Gasoline (gal)	$2.05	$0.05	-$0.08	$0.00
Natural Gas (mcf)	$4.78	-$0.02	$0.47	-$0.79

Equity Markets	6/11/10	1-Wk Chg	4-Wk Chg	YTD
S&P 500	1,091.60	2.51%	-3.88%	-2.11%
FTSE 100	5,163.68	0.74%	-1.88%	-4.60%
DAX	6,047.83	1.83%	-0.15%	1.52%
S&P/TSX Comp	11,666.92	0.84%	-2.90%	-0.67%
NIKKEI	9,705.25	-1.98%	-7.24%	-7.98%

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