

Market Review

The Week in Review

Economic Releases for the Week Ending 6/4/10

	**Consensus	Actual	Prior Period
May Non-Mfg ISM	55.9	55.4	55.4
May Non-Farm Payrolls	540k	430k	290k
May Unemployment Rate	9.8%	9.7%	9.9%

Financial markets wavered through another trying week as investors remained cautious due to the European debt crisis, questions over financial reform and the oil spill in the Gulf of Mexico. In contrast to previous weeks, the oil spill has become more of a focus of both lawmakers and investors as BP continues to struggle in their efforts to control the spill and there appears to be no resolution in sight. Investors flocked to the safety of U.S. Treasuries and yields dropped as a result. The yield on the 10-year Treasury fell nine basis points to 3.20% while the 30-year dropped eight basis points to 4.13%. Risky assets also took a hit. The U.S. S&P 500 fell 2.25% to 1,064.88 and is now down 4.50% for the year and credit spreads in both investment grade and high yield moved wider.

The majority of the economic news released during the week was positive, but that did little to help calm investor fears. The most important release was Friday's employment report, which surprised to the downside. Consensus estimates were for an increase of 540,000 jobs in May, with close to 200,000 of those coming from the private sector, but the actuals showed that 430,000 jobs were added and only 41,000 of those were unrelated to government hiring. The unemployment rate declined to 9.7% from 9.9%. On a positive note, the ISM indices continued to show strength. Non-manufacturing ISM indicated month-over-month acceleration after printing at 55.4 for the third consecutive month, while manufacturing ISM, driven by strong gains in new orders and employment, climbed to 59.7.

The Week Ahead

Economic Releases for the Week Ending 6/11/10

	**Consensus	Prior Period
April Consumer Credit	\$1.0B	\$2.0B
April Trade Balance	-\$41.0B	-\$40.4B
May Retail Sales	0.4%	0.4%

The week ahead is relatively light on economic news and the focus will remain on both the oil spill in the gulf and the European debt issue. Regarding the oil spill, BP has placed a containment cap over the well and it appears to be capturing a portion of the spill, but there are still many unknowns regarding the amount of oil being lost and the impact on the local environment and economy. The answers to those questions will not be known for years to come. The highlight of the economic news will be the release of May's retail sales numbers, which are expected to have climbed 0.4% for the second consecutive month. Retail sales figures have been strong for the majority of the year and are expected to remain so. Excluding autos, sales are expected to have risen 0.2%, following last month's gain of 0.4%. Consumers are expected to have increased their outstanding credit by \$1.0 billion in April after increasing credit by \$2.0 billion in March. The slight pullback would coincide with increasing concerns over the chances of a double-dip recession, sparked by last week's employment numbers, the oil spill and Europe. Finally, the U.S. international trade deficit is expected to have grown from \$40.4 billion in March to \$41.0 billion in April. The deficit is expected to remain relatively unchanged due to a slight decline in oil prices.

World Bond Rates	6/4/10	1-Wk Chg	4-Wk Chg	YTD
US 10y	3.20%	-0.09%	-0.22%	-0.64%
GBR 10y	3.51%	-0.07%	-0.32%	-0.50%
GER 10y	2.58%	-0.10%	-0.21%	-0.80%
CAN 10y	3.29%	-0.02%	-0.20%	-0.32%
JAP 10y	1.28%	0.02%	-0.01%	-0.02%

Central Bank Rates	6/4/10	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	0.50	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	6/4/10	1-Wk Chg	4-Wk Chg	YTD
*CDX (bps)	126	11	7	41
*30 Day T-Yld Vol.	106.4	-5.7	-6.2	-1.1
VIX	35.48%	3.41%	-5.47%	13.80%

Currencies	6/4/10	1-Wk Chg	4-Wk Chg	YTD
USD/EUR	1.20	-0.03	-0.08	-0.24
USD/CAN	0.94	-0.01	-0.02	-0.01
JPY/USD	91.90	0.84	0.31	-1.12

Commodities	6/4/10	1-Wk Chg	4-Wk Chg	YTD
Gold (oz.)	\$1,216.20	\$4.00	\$5.80	\$120.00
Oil (barrel)	\$71.51	-\$2.46	-\$3.60	-\$7.85
Wholesale Gasoline (gal)	\$2.00	-\$0.02	-\$0.13	-\$0.06
Natural Gas (mcf)	\$4.80	\$0.46	\$0.78	-\$0.78

Equity Markets	6/4/10	1-Wk Chg	4-Wk Chg	YTD
S&P 500	1,064.88	-2.25%	-4.14%	-4.50%
FTSE 100	5,126.00	-1.20%	0.06%	-5.30%
DAX	5,938.88	-0.12%	3.92%	-0.31%
S&P/TSX Comp	11,569.61	-0.87%	-1.05%	-1.50%
NIKKEI	9,901.19	1.42%	-4.47%	-6.12%