

Weekly Capital Markets Market Review July 6, 2010



The Week in Review

Economic Releases for the Week Ending 7/2/10

	**Consensus	Actual	Prior Period
May Pending Home Sales	-13.4%	-30.0%	6.0%
June Non-Farm Payrolls	-125k	-125k	431k
June Unemployment Rate	9.8%	9.5%	9.7%

Financial markets finished the second quarter with a thud last week, as concerns surrounding a slowing economy continued to grow. Global equity markets were down significantly, with the U.S. S&P 500 losing 5.03% and closing at its lowest level since October of 2009. Commodities also slumped as data on jobs and factory orders added to the concerns that the economic rebound is slowing. Treasuries rallied on the week and the 10-year Treasury finished with a yield of 2.98%.

Last week's economic data continued to show that the economy is expanding albeit at a slower pace. Most of the attention was focused on the lousy employment report, but there were other important indicators that were positive. The personal income and spending report was fairly positive with income rising 0.5% and spending up 0.2%. More importantly, the rise in income was primarily due to wages and salaries rather than an increase in transfer payments as previous months have shown. The report indicates that the consumer sector is slowly gaining strength in terms of spending power. Following the expiration of the homebuyer tax credit, pending home sales plummeted 30.0% in May. The large decline more than wiped out the positive effects from April's 6.0% gain. The June ISM Manufacturing Index slowed to 56.2 from May's very strong 59.7, primarily driven by a seven point decline in new orders. Employment fell in June for the first time this year after a decrease in federal census workers and a smaller-than-forecast gain in private hiring. Payrolls fell by 125,000 while employment at private companies rose 83,000, which was less than the 110,000 estimate. The jobless rate fell to 9.5% from 9.7% as a large number of people dropped out of the workforce.

The Week Ahead

Economic Releases for the Week Ending 7/9/10

	**Consensus	Prior Period
June Non-Mfg ISM	55.0	55.4
Initial Jobless Claims	465k	472k
May Consumer Credit	\$-2.0B	\$1.0B

The holiday-shortened week ahead will be light on both U.S. economic reports and corporate earnings, with only one S&P 500 company reporting second quarter results. The ISM Non-Manufacturing Index could provide further evidence of an economic slowdown within the service industries, while initial jobless claims will also be a focus of investors. June non-manufacturing ISM is expected to fall slightly from 55.4 to 55.0, indicating slightly slower growth in the services sector. Initial jobless claims rose 13,000 in the June 26 week to 472,000, lifting the four-week average to the highest level since March. According to Bloomberg's survey, analysts expect to see a slightly improvement in this week's report, with initial claims printing at 465,000. Due to the expiration of the housing tax credit and the weak consumer confidence report from last week, economists expect to see a contraction in consumer credit. Consumer credit expanded in April by \$1.0 billion but is expected to have contracted by \$2.0 billion in May.

World Bond Rates	7/2/10	1-Wk Chg	4-Wk Chg	YTD
US 10y	2.98%	-0.13%	-0.23%	-0.86%
GBR 10y	3.35%	-0.03%	-0.16%	-0.66%
GER 10y	2.58%	-0.03%	0.00%	-0.80%
CAN 10y	3.10%	-0.10%	-0.19%	-0.51%
JAP 10y	1.10%	-0.05%	-0.17%	-0.19%

Central Bank Rates	7/2/10	6/30/10	3/31/10	12/31/09
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	0.50	1.00	1.00
CAN Bank Rate	0.50	0.50	0.25	0.25
JAP Disc Rate	0.10	0.10	0.10	0.10
3 Mo-LIBOR	0.53	0.53	0.29	0.25

Risk Premiums	7/2/10	1-Wk Chg	4-Wk Chg	YTD
*CDX (bps)	121	7	-5	36
*30 Day T-Yld Vol.	88.2	3.5	-18.2	-19.3
VIX	30.12%	1.59%	-5.36%	8.44%

Currencies	7/2/10	1-Wk Chg	4-Wk Chg	YTD
USD/EUR	1.26	0.02	0.06	-0.18
USD/CAN	0.94	-0.02	0.00	-0.01
JPY/USD	87.75	-1.48	-4.15	-5.27

Commodities	7/2/10	1-Wk Chg	4-Wk Chg	YTD
Gold (oz.)	\$1,207.70	-\$48.10	-\$8.50	\$111.50
Oil (barrel)	\$72.14	-\$6.72	\$0.63	-\$7.22
Wholesale Gasoline (gal)	\$1.98	-\$0.19	-\$0.02	-\$0.07
Natural Gas (mcf)	\$4.69	-\$0.17	-\$0.11	-\$0.89

Equity Markets	7/2/10	1-Wk Chg	4-Wk Chg	YTD
S&P 500	1,022.58	-5.03%	-3.97%	-8.30%
FTSE 100	4,838.09	-4.13%	-5.62%	-10.62%
DAX	5,834.15	-3.90%	-1.76%	-2.07%
S&P/TSX Comp	11,196.06	-4.37%	-3.23%	-4.68%
NIKKEI	9,203.71	-5.48%	-7.04%	-12.73%

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

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