

WEEKLY MARKET WRAP

JUNE 12 – 18, 2010

Things slowed down in the marketplace this week. A rally on Tuesday helped the major averages close higher for a second straight week, pushing them back into positive territory for the year.

Whether the slower action is the result of market participants taking a breather following the volatile activity over the last two months or the beginning of a summer lull remains to be seen.

The euro joined the pound last week in attempting to rebound, hitting a multi-year low of 1.1877 on June 7 before advancing. It continued that effort this week, particularly on Monday and Tuesday when it moved from 1.21 to over 1.23 against the dollar.

Positive headlines out of Europe helped the cause. First, the euro rallied on Monday despite Moody's downgrade of Greece -- the ratings agency was merely catching up with S&P and Fitch. Despite a very poor consumer sentiment survey out of Germany on Tuesday, the euro rallied that day following successful debt offerings from Spain and Ireland.

It managed to hold those gains on Wednesday despite rumors that a credit line was being worked out for Spain -- the spread between the country's 10-year note and the German bund hit a record that day. Finally, it inched higher on Thursday as the Spanish fears ebbed following another successful debt offering.

U.S. equity markets, however, did not benefit Wednesday-Friday, trading in a tight range. There were few catalysts. For instance, positive industrial production data on Wednesday offset weak housing starts, while inflation remained subdued.

Instead, the focus remained on the Energy sector, particularly **BP** and the ongoing oil spill in the Gulf of Mexico. Following more volatility, shares of BP fell 6.5% after the company suspended its dividend for the remainder of the year, set up a \$20 bln escrow fund to pay for damages and its CEO was grilled before a House subcommittee.

For the week the Dow ended the week up 2.3% at 10,450. The S&P 500 performed slightly better, up 2.4%, to finish at 1,117. The strongest performance was from the Nasdaq gaining a full 3.0% to close at 2,309. All three indexes are now back in positive territory for the year.

Things could pick up next week as the market will get the next round of Treasury auctions, existing/new home sales and durable goods data, and a FOMC meeting. The Fed is expected to keep its policy directive largely intact, however.

Have a great weekend!