

WEEKLY MARKET WRAP

MAY 29 – JUNE 4, 2010

It was another choppy week of trading as investors digested a number of economic reports and worries over Europe's financial troubles continued to weigh on stocks. Yet, the most damaging news came on Friday with the May non-farm payrolls report. For the week: Dow (-2.0%), S&P 500 (-2.3%), Nasdaq (-1.7%).

After the long holiday weekend, the week started off rather poorly on Tuesday given lingering concerns over Europe's financial issues as the European Central Bank (ECB) warned of further writedowns at eurozone banks. Worries over global economic growth also pushed stocks lower as manufacturing data out of China was weaker than expected. This news was partially offset by a solid ISM Manufacturing Index report for May as well as one showing April construction spending jumped 2.7%, much higher than expected.

In other economic news, pending home sales for April rose a solid 6.0% as homebuyers took advantage of the homebuyer tax credit set to expire at the end of the month. However, the biggest and most damaging news came on Friday with the May non-farm payrolls report showing that employment numbers jumped 431,000 and the unemployment rate fell to 9.7% from 9.9%. Dissecting the report revealed the vast majority of new jobs was due to the governments temporary hiring of census workers. Removing these workers from the payroll numbers showed the private sector added a meager 41,000 new jobs.

The May payroll numbers were very unsettling to investors as it raised concern as to the sustainability of the economic recovery and its ability to grow without further government support. With an already jittery market given Europe's financial problems and the Gulf of Mexico oil spill, stocks sold off precipitously on Friday pushing the Dow down 3.2% and back below 10,000. Investors flocked to Treasuries pushing the yield on the 10-year down to 3.20%. Yields move inversely to prices.

BP's attempt last week at stemming the oil spill failed but a new attempt to cap the well and siphon oil to a tanker ship appears to show some promise with hopes of capturing 90% of the leaking oil. The oil spill has and will continue to make for some volatile trading in the energy sector.

Have a great weekend!