

WEEKLY MARKET WRAP

MAY 8 – MAY 14, 2010

Stocks moved higher this week after the previous week's dismal and erratic performance. Europe's financial woes remained in the headlines and provided for some choppy trading as news of a bailout plan gave way to continued concern over the underlying sovereign debt issues. For the week: Dow (+2.3%), S&P 500 (+2.2%), Nasdaq (+3.6%).

The week got off to a solid start with the S&P 500 rising 4.4% on Monday, the best one day gain in over a year. The market rallied on news out over the weekend that the European Union (EU) and the International Monetary Fund (IMF) will extend financial support to EU countries to help stabilize the region. The EU and IMF will provide access to 750 billion Euros while the European Central Bank will make euro bond purchases in the secondary market. Unfortunately, the rally was short lived as stocks struggled toward the end of the week despite favorable earnings announcements and positive economic data.

First quarter earnings continued to come in better than expected but much of the upside appeared to have already been reflected in stock prices. Cisco Systems (CSCO) and Disney (DIS) both reported solid results but both stocks failed to move higher after the reports.

Visa (V) and MasterCard (MA) fell 9.9% and 8.6%, respectively, on Friday as the Senate approved an amendment that would give the Fed the power to regulate debit card transaction fees.

Economic data provided further evidence that the U.S. economy continues to gain strength. Retail sales (+0.4%) rose in April revealing consumers willingness to spend. Industrial production was also favorable in April (+0.8%) as the manufacturing sector continued to expand.

Treasuries showed some strength throughout the week as investors flocked to safety given the troubles in Europe. The 10-Year Treasury auction on Wednesday was well received, helping push the yield down to 3.44% to end the week. Price moves inversely to yield. Investors shunned the euro and flocked to the dollar pushing the euro down to \$1.24, the lowest level since October 2008.

Have a great weekend!