

WEEKLY MARKET WRAP

MAY 22 – MAY 28, 2010

Stocks closed out their worst May since 1962 by sliding again on more unsettling news about Europe. For the month the Dow lost 7.9%, the S&P fell 8.2%, the Nasdaq lost 8.3% and the Russell 2000 finished down 7.7%. Lots of economic data was released this week. Overall it was mixed to slightly positive.

Fitch cut Spain's rating by one notch, saying the country's plan to cut its budget will likely slow economic growth. Mounting debt forced Spain, among other European countries, to recently impose austerity measures to try and contain its rising deficit.

BP has executed their operation "Top Kill" to plug up the oil well that has leaked over half a million barrels of oil into the Gulf of Mexico. It will take a few days to find out if the operation has been a success and several more to install a permanent seal on the well next week.

Senate leaders on Tuesday appointed seven Democrats and five Republicans to meet with counterparts from the House in coming weeks to hammer out differences between new financial rules approved by each chamber. The House passed its version of the financial overhaul legislation in December, and congressional aides said they expect House Speaker Nancy Pelosi will name conferees after the Memorial Day break. The effort will be headed by Rep. Barney Frank, chairman of the House Financial Services Committee, who said he hopes to deliver a final bill to President Obama by July 4.

The second estimate for first quarter GDP showed that the economy expanded at an annualized rate of 3.0%, which is down from the 3.2% increase that came with the advance estimate and below the 3.3% increase that many had come to expect.

New home sales for April spiked more-than-expected to an annualized rate of 504,000 units, which was the highest level in two years. The housing market has been showing signs of life but is still a long way off from recovery. The FHA and Fannie Mae and Freddie Mac, which regulators seized in 2008, have been financing more than 90 percent of U.S. home lending after a retreat by banks and the collapse of the market for mortgage bonds without government-backed guarantees.

Total durable goods orders for April proved to be stronger-than-expected with a 2.9% increase, but orders less transportation made a surprise 1.0% slip. The downturn in orders less transportation has been forgiven by some since the prior month's number surged 4.8%, the best reading since 2005.

Initial jobless claims for the week ended May 22 totaled 460,000, which is a bit above the 455,000 claims that had been widely expected. Continuing claims came down from 4.66 million to 4.61 million, which is in-line with what had been widely anticipated.

For the week the Dow lost 0.6% to 10,136, the S&P increased 0.1% to 1,089, the Nasdaq gained 1.3% to 2,229 and the Russell 2000 finished up 1.8% to 661.

Have a great long weekend!