

## WEEKLY MARKET WRAP

MAY 1 – 7, 2010

This has been one of the wildest and most unsettling weeks in recent market history. We saw the biggest intraday decline in the Dow on record, the sovereign debt crisis in Europe continues to worsen and more positive economic reports here at home.

Thursday afternoon another broad-based wave of high-volume selling sent stocks to their worst percentage loss in more than one year, but things could have been far worse since the Dow was actually down nearly 1,000 points in its worst intraday drop on record.

While the exact origin of the selloff may not be known for weeks, the staggering selloff in the Dow came as Greeks stormed the streets in protest against the parliament's acquiescence to austerity demands from the European Union.

Market sources say the confluence of events likely triggered electronic selling programs. As that selling commenced, the human element of the markets quickly evaporated and computerized trading programs wantonly sold stocks at whatever price was available, creating a selling frenzy.

While stocks had looked to be headed for something awful, computer programmed trades quickly clicked to buy and drove the Dow back up several hundred points in a matter of minutes. The Dow closed almost 650 points above its session low, but it still lost nearly 350 points on the session. For the week: Dow (-5.7%), S&P 500 (-6.4%), Nasdaq (-7.9%). For the year the Dow is now unchanged and both the S&P 500 and Nasdaq have gone negative.

Such steep losses amid heavy volume has caused volatility to spike to its highest level in more than a year. The Volatility Index settled this session roughly 25% higher.

Following the chaos of Thursday, the April Non-farm payroll report Friday showed 290,000 net jobs were added to the economy. As an aside, the headline unemployment rate climbed to 9.9% from 9.7% as a result of workers re-entering the workforce.

Furthermore, Productivity improved 3.6% in the first quarter and both the ISM Manufacturing and Services Indices showed nice results at 60.4 and 55.4 respectively. Personal Income and Spending were both up nicely at 0.3% and 0.6% respectively while Factory Orders in March were up 1.3%.

With all the positive domestic data coming in over the last several months, it is becoming increasingly clear that the U.S. economy is recovering nicely and is starting to show signs of sustainability. It looks like the situation in the U.S. is improving but will possess greater volatility going forward.

Have a great weekend!