

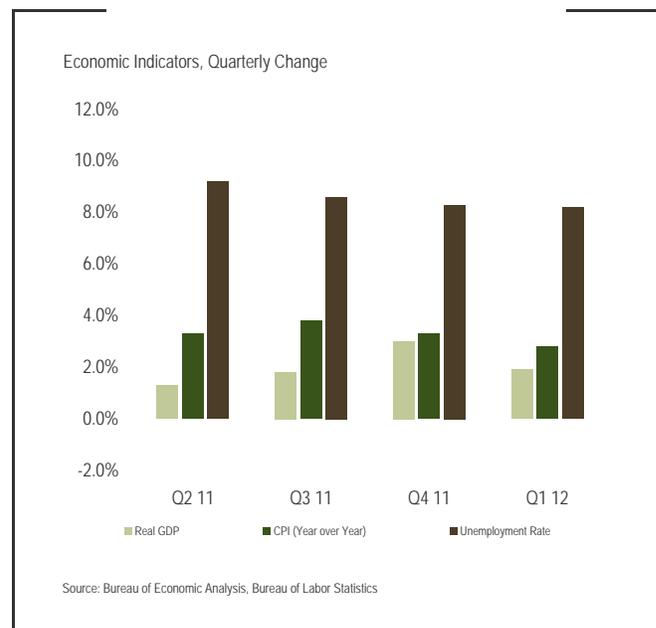
Economic Update

Fed Chairman Ben Bernanke testified before the Joint Economic Committee this week and made his usual call for fiscal policymakers to get the federal budget on a sustainable long-term path. The Chairman expects the economy to continue to grow at a moderate pace; he pointed to seasonal adjustments and weather related issues as the cause for exaggerating the apparent slowdown in the labor market. He offered little in his testimony to imply a third round of quantitative easing was ahead, only saying "at this point I really can't say that anything is completely off the table."

Meanwhile the Chinese central bank announced its first rate cut since 2008, dropping the deposit and lending rates by a quarter point. The move is an effort to spur their economy which has seen growth rates cool recently. HSBC's purchasing manager's index in May showed manufacturing in China declined for the seventh consecutive month. Europe is China's largest trading partner and exports have been hit much harder by the slowdown in that region than they have in the U.S. Given how high rates in China remain, we may yet see further easing.

The trade balance improved in April with the deficit narrowing to \$50.1 billion from an upwardly revised \$52.6 billion in March, according to the Census Bureau. The improvement came as imports declined faster than exports, led by a narrowing of the non-petroleum trade gap which improved \$1.5 billion. Lower oil prices helped narrow the petroleum gap as well, from \$28.6 billion to \$28.0 billion. The declines in imports and exports this month should not be of too much concern when taken in the context of the gains seen in March.

The number of Americans filing for first time unemployment benefits fell, but the total number of those on unemployment rose according to the Labor Department. Initial claims fell a better-than-expected 12,000 to 377,000 for the holiday shortened week ended June 2, while continuing claims rose 34,000 to 3.293 million for the May 26 week.



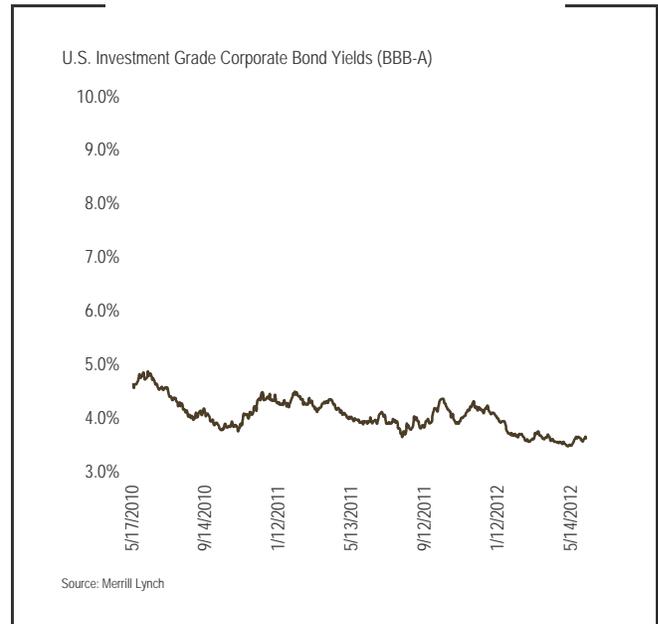
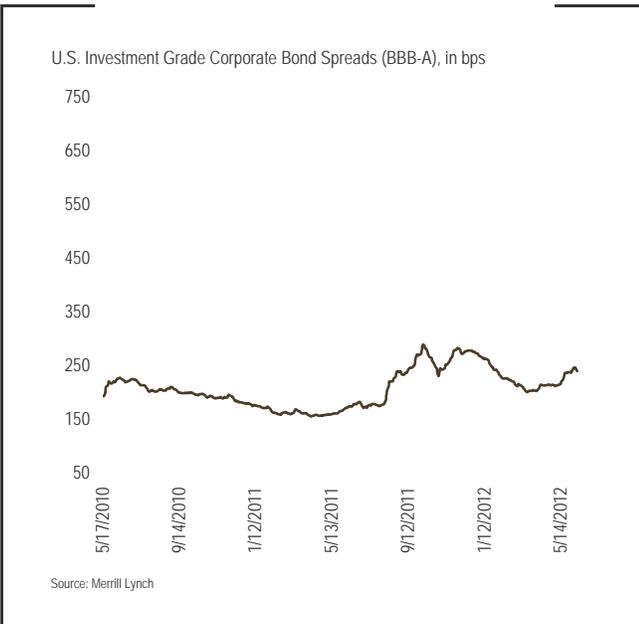
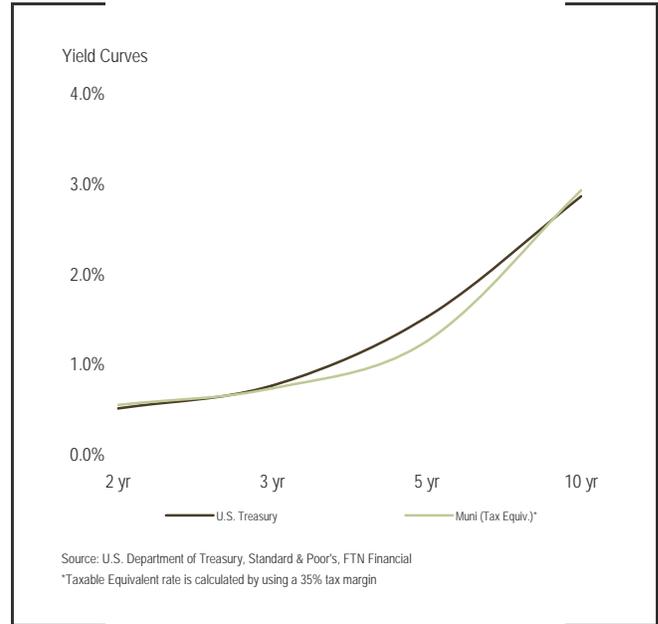
Jun. 4 th	Factory Orders, April Monthly Chg.	-0.6%
Jun. 5 th	ICSC-Goldman Same Store Sales, Wkly. Chg.	0.4%
Jun. 5 th	ISM Non-Mfg. Index, May	53.7
Jun. 6 th	MBA Purchase Applications Index, Wkly. Chg.	1.3%
Jun. 6 th	EIA Petroleum Status Report, Wkly. Chg.	-0.1M Barrels
Jun. 7 th	Initial Jobless Claims (week ending 6/2)	377,000
Jun. 7 th	EIA Natural Gas Report, Wkly. Chg.	62 bcf
Jun. 7 th	Consumer Credit, April Monthly Change	6.5B
Jun. 8 th	International Trade Balance Level, April	-50.1B

Bond Market Update

U.S. Treasuries fell for the week as investors found little guidance about future monetary policy from Federal Reserve Chairman Ben Bernanke's latest remarks along with reports Germany might eventually support broader risk sharing in the region through common eurozone bonds. Meanwhile, although Spain's economic minister Luis de Guindos maintains the country does not need a bailout, most strategists expect an intervention from the European Union sometime during June. Uncertainties remain over how damaged the Spanish economy and its bank sector truly are after Moody's cut the credit ratings of 16 of the country's banks. The ratings agency notes Spanish banks are not only undercapitalized but may also experience major losses from questionable real estate exposure. Because of this, Spanish government bonds now trade at an unsustainably high-risk premium, prompting one of the country's leaders to suggest, "the door to the markets is not open for Spain." However, in an effort to ease some of the anxieties associated with sovereign debt contagion, senior finance ministry officials from the eurozone and other EU countries are scheduled to discuss options in financial aid for the country, likely focused on its banking sector, over the weekend. The European Commission and the European Central Bank (ECB) are also expected to present measures for creating a "banking union" that would supervise banks and possibly offer bailouts directly.

Issue	6.1.12	6.8.12	Change
3 month T-Bill	0.07%	0.09%	0.02%
2-Year Treasury	0.25%	0.28%	0.03%
5-Year Treasury	0.62%	0.71%	0.09%
10-Year Treasury	1.47%	1.65%	0.18%
30-Year Treasury	2.53%	2.77%	0.24%

Source: Bloomberg, FTN Financial, The Wall Street Journal, U.S. Department of Treasury.



Stock Market Update

Domestic and international equity markets continued to remain volatile as Spain and China took their turn at dominating the headlines. The Dow Jones Industrial Average closed at 12,554.20, up 436 points for the week, or up 3.59%. The broader S&P 500 Index ended the week up 3.73% to close at 1,325.66, while the NASDAQ Composite finished higher by 111 points, or up 4.04% to close the week out at 2,858.42.

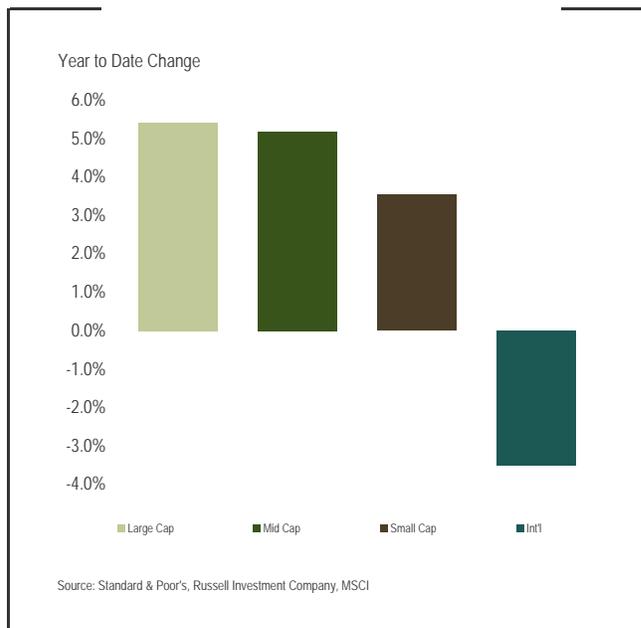
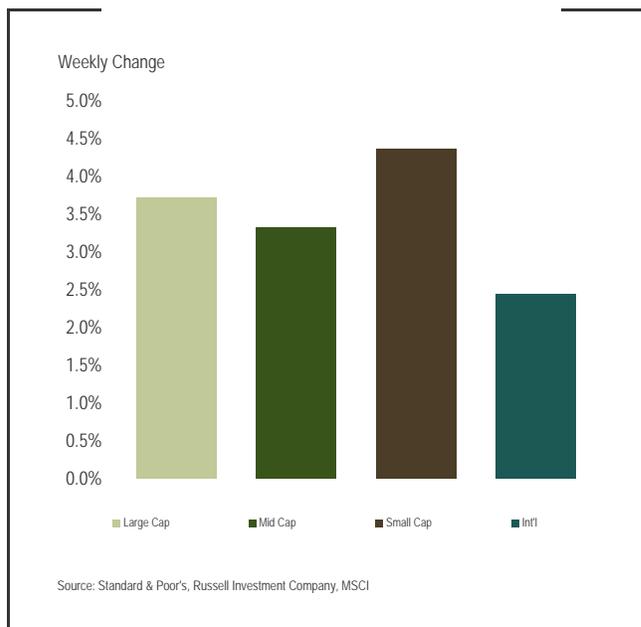
Asian markets finished the week higher snapping a nine week losing streak. The rise came even with a 2% drop on Thursday after China's unexpected interest rate cut based on its slowing economic growth. The interest rate cut coupled with the statements by Federal Reserve Chairman Ben Bernanke that made no mention of further easing sent all markets lower. All this news comes right before the weekend when China is set to release data including inflation, industrial production, retail sales and monthly trade figures.

The European markets followed the Asian markets lower on Friday after posting positive returns the past three days. The markets sold off based on Bernanke's comments along with the rate cut in China. More importantly, Fitch downgraded Spain's debt and made mention it could be downgraded to junk status. Also, the treasury minister in Spain mentioned they will need outside help for their banking system to recapitalize their banks.

Domestically, the equity markets followed the Asian and European markets lower at the open only to reverse and finish with one of the best weeks of 2012. President Obama spoke Friday morning and encouraged Europe to act quickly in combating its economic crisis. He also urged Greece to not leave the European Union, stating the country would face additional hardships if it were to separate. Greece will hold a new election next week that may decide the fate of the country.

Issue	6.1.12	6.8.12	Change
Dow Jones	12,118.57	12,554.20	3.59%
S&P 500	1,278.04	1,325.66	3.73%
NASDAQ	2,747.48	2,858.42	4.04%
Russell 1000 Growth	602.24	623.33	3.50%
S&P MidCap 400	896.17	925.98	3.33%
Russell 2000	737.66	769.89	4.37%
MSCI EAFE	1,312.34	1,344.48	2.45%
MSCI Small Cap	906.30	913.18	1.77%

Prices reflect most recent data available at the time of publication
Source: Bloomberg, Russell Investment Company, Standard & Poor's, Morgan Stanley Capital International, The Wall Street Journal, MarketWatch, Wolfe Trahan.



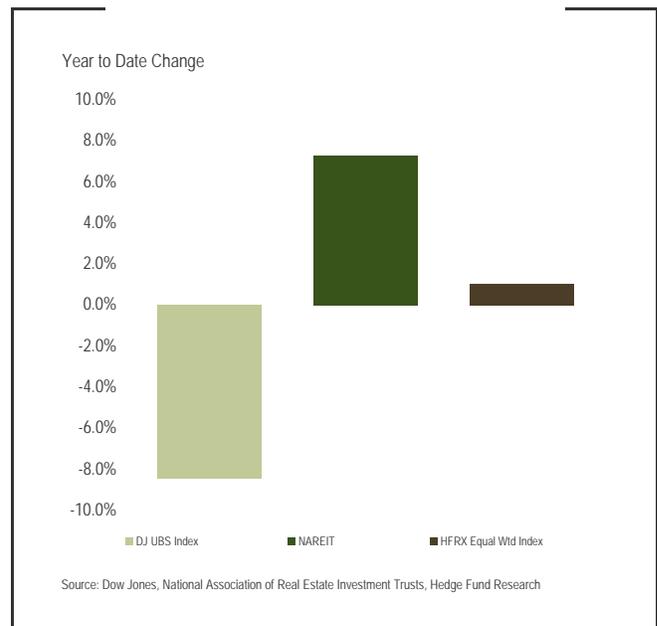
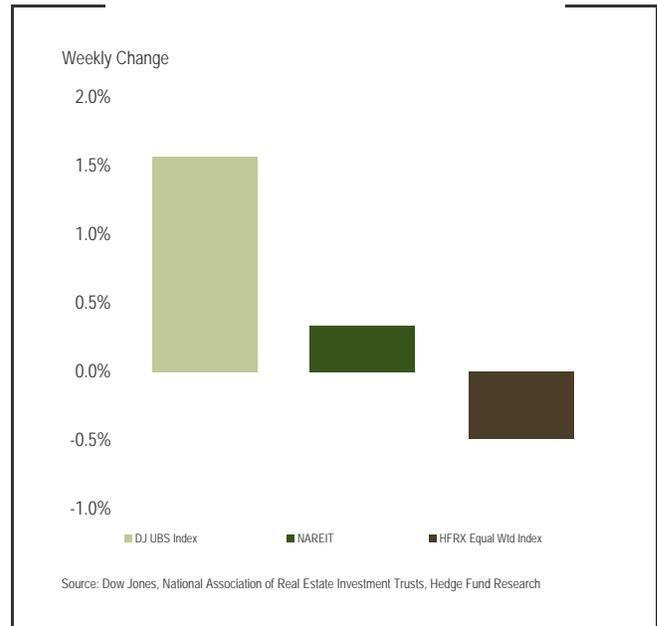
Alternative Investments Market Update

Gold fell this week after the U.S. Federal Reserve gave no hint of plans for an imminent stimulus to the economy, which disappointed investors and dampened the precious metal's appeal as a hedge against monetary easing. A weaker euro against the dollar also weighed on dollar-priced precious metals, making them costlier for holders of other currencies. Gold holders had hoped Federal Reserve Chairman Ben Bernanke would signal further monetary easing, especially after last Friday's U.S. employment data showed a weak job market. But Bernanke refrained from indicating any short-term aid, such as a fresh round of quantitative easing (QE), though he said the central bank was ready to shield the economy if financial troubles mounted. Analysts claim the outlook for precious metals in the medium-term, however, remains positive "because the central banks will have to undertake an expansive monetary policy sooner or later. They are just waiting for the right time; they don't want to use the last cartridge too soon." For the week, gold dropped 1.85%, or \$30.10, to settle at \$1,594.50 an ounce.

Oil, however, gained this week on the prospect of weak economic growth with no immediate assistance from the U.S. Federal Reserve. Crude rose 1.20%, or \$1.00, to close at \$84.30 per barrel. Oil prices rose earlier in the week on hopes Bernanke would unveil a plan to stimulate the U.S. economy, but that was not the case. Supply has risen faster than demand in recent months with growing production in Libya, Iraq and the U.S. Saudi Arabia has been pumping more oil to offset supply losses from Iran, which is struggling to export crude under tightening Western sanctions. Meanwhile, global demand for oil is falling with slower economic activity. Because of such trends, the price of oil has fallen 25% from its high of \$109.77 back in February. The fall in oil has brought some relief to U.S. drivers as retail gasoline prices have declined steadily since their peak of \$3.94 per gallon in April. The national average fell to \$3.55 this week, according to AAA.

Issue	Previous Week	Current ¹	Change
Gold	1,624.60	1,594.50	-1.85%
Crude Oil Futures	83.30	84.30	1.20%
Copper	332.30	330.80	-0.45%
Sugar	19.09	19.98	4.66%
HFRX Equal Wtd. Strat. Index	1,114.12	1,108.66	-0.49%
HFRX Equity Hedge Index	1,007.47	1,000.48	-0.69%
HFRX Equity Market Neutral	947.37	934.58	-1.35%
HFRX Event Driven	1,355.57	1,348.37	-0.53%
HFRX Merger Arbitrage	1,507.04	1,518.78	0.78%
Dow Jones UBS Commodity Index	126.81	128.80	1.57%
FTSE/NAREIT All REIT	147.80	148.29	0.33%

¹ Prices reflect most recent data available at the time of publication
Source: Dow Jones, National Association of Real Estate Investment Trusts, Hedge Fund Research, Bloomberg, The Wall Street Journal, The International Monetary Fund.



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