



THE WEEK IN REVIEW

Manufacturing improved in the month of May, signaling that the economy may be rebounding from a sluggish first quarter. The ISM Manufacturing Index came in at 52.8, above the April reading of 51.5 and ahead of economists' expectations of 52.0. **New orders from factories grew at a faster pace and manufacturing employment picked up during the month.** Fourteen out of the eighteen manufacturing industries reported growth, with Apparel, Furniture and Related Products, and Paper Products among the leaders.

Construction spending jumped 2.2% in April to its highest level since November 2008. Economists polled by Reuters forecasted that construction spending would rise 0.7% in April. **March's level of spending was revised up over a full percent, from -0.6% to 0.5%.** In April, private construction spending rose 3.1% for apartments, 3.2% for commercial buildings, and 4.6% for facilities. The 2.2% April increase equates to a \$1.0 trillion annual rate, which is 4.8% over the level from a year ago, possibly indicating strengthening economic growth.

Consumer spending was unchanged in April, while savings rose by 0.4% to 5.6%. Personal income rose by 0.4%, primarily through rents and dividends, while wage and salary gains were weaker at 0.2%. **The flat spending reading was the weakest since January, although not totally unexpected.** April's retail sales report already pointed to a weak second quarter start for spending, and this week's report further suggests consumer spending has room to improve.

On Friday, the Labor Department released May employment numbers which showed U.S. employers added 280,000 jobs for the month. Economists surveyed by Bloomberg expected employment gains of 220,000, according to their median forecast. Job gains for March and April were revised up by a combined total of 32,000. The unemployment rate rose to 5.5% from 5.4% as more people entered the labor force. Interest rates rose as the strong employment report, along with other better economic reports, increased the probability of the Fed raising interest rates. The 10-Year U.S. Treasury bond yield moved from 2.10% to 2.41% this week.

Markets continued to be volatile across the globe this week. Most U.S. and international equity markets posted weekly declines, as mostly better economic news was offset by continued fears of the Greek debt crisis. Greece deferred a loan payment on Friday, and said it will bundle that payment along with three other payments it owes the IMF by the end of the month. The country also turned down demands for more austerity to receive additional bailout funds. The S&P 500 has now gone three weeks without two consecutive days of gains, remaining in its tightest trading range at this time of the year since 2006.

INDEX	LEVEL	WEEK	YTD	12 MO
DJ Industrial Average	17,849.46	-0.90%	0.15%	6.02%
NASDAQ	5,068.46	-0.03%	7.02%	17.98%
S&P 500 LargeCap	2,092.83	-0.66%	1.65%	7.88%
S&P 400 MidCap	1,526.58	0.14%	5.10%	8.91%
S&P 600 SmallCap	722.12	1.30%	3.24%	7.84%
MSCI EAFE	1,903.57	0.24%	7.25%	-2.96%
MSCI Emerging Markets	988.05	-1.61%	3.32%	-4.53%
Barclays Aggregate US		-0.92%	0.07%	2.70%
Bloomberg Non-US Govt Bond		-1.16%	0.00%	3.59%
Bloomberg US Treasury Index		-0.88%	-0.16%	3.13%
Bloomberg High Yield Index		-0.39%	4.37%	1.14%

FTSE/NAREIT All REIT Index	-2.31%	-4.49%	1.09%
Bloomberg Commodity Index	-0.69%	-3.91%	-24.79%

KEY BOND RATES	WEEK	1 MO AGO	1 YR AGO
3-Month T-Bill	0.03%	0.01%	0.04%
2-Year Treasury	0.73%	0.62%	0.40%
5-Year Treasury	1.75%	1.54%	1.63%
10-Year Treasury	2.41%	2.64%	2.59%
30-Year Treasury	3.11%	2.90%	3.44%
Municipal Bond Yields (10 Yr)	2.30%	2.19%	2.27%

Price return as of the last available closing data. Source data: Bloomberg and Morningstar are believed to be correct but not verified.

UPCOMING WEEK

Next week is light in terms of data releases, with the JOLTS report coming Tuesday, **Retail Sales on Thursday and PPI – final demand coming on Friday.** JOLTS, or job openings, previously came in at 5.0 million in March. Retail sales have been steadily moving upward since their low point in December, and PPI has been moving upward since a low in February. Retail sales are expected to continue the rise, up to 1.0% based on expectations, while PPI is also predicted to increase, about 0.6%.

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