

Date	This Week's Numbers	Period	Survey	Prior	Note
05/15	CPI (MoM)	April	0.0%	0.3%	This week we'll get updates on CPI and retail sales on Tues, mortgage apps and housing starts on Wed, and jobless claims on Thurs.
05/16	Housing Starts	April	685k	654k	
08/17	Initial Jobless Claims	May 12 <sup>th</sup>	365k	367k	

**IN THE NEWS:**

- Greek Elections Loom as Key Bailout Opponents Defy Unity ([Bloomberg](#))
- Treasury Demand: Deficits Irrelevant with Record Low Yields ([Bloomberg](#))
- Wall Street Wails at JPMorgan's Problems ([WSJ, Page C10](#))

**TOPICS OF INTEREST:**

- [Bond Market Commentary](#)
- [Investing In Bonds](#)
- [Taxable Fixed Income Chartbook](#) and [Weekly Spread Monitor](#)

**TREASURIES**

It was another week of lower yields as Treasuries notched their 8<sup>th</sup> week in a row of yield declines (increase in prices), making it the longest streak in 13 years, according to Bloomberg. Pushed lower by the hangover of European elections, especially in Greece where a coalition government could not be formed, 5-year and 10-year yields fell approximately 4bp, while 30-year yields moved over 6bp lower. From a global standpoint, Treasuries lagged other sovereign yields, such as 10-year Gilts which reached 1.9% (their lowest level recorded by the Bank of England) and 10-year German Bunds which fell below 1.5% for the first time ever. The increase in risk apprehension helped the Treasury auction off \$72bln in 3-year, 10-year and 30-year paper without much of a hiccup. A Greek government remains unattainable to begin Monday morning, increasing the prospects of new elections in the next few weeks and increasing risk apprehension leading to lower Treasury yields. The economic calendar is on the lighter side for a majority of this upcoming week with the exception of Tuesday's releases of the Consumer Price Index, Empire Manufacturing, Advance Retail Sales, Treasury International Capital Flows, and the NAHB Housing Market Index figures. Additionally, Wednesday's FOMC meeting minutes will be examined for any discussions on the prospects of further Fed easing. Across the pond, European financial ministers will meet Tuesday, while Germany will also release 1<sup>st</sup> quarter GDP figures, which may show another European nation entering a recession.

**CORPORATES**

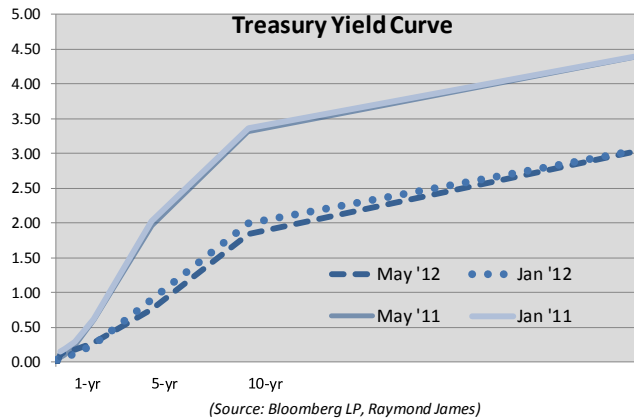
Weighed down by the uncertain political developments in Greece and news that Spain was nationalizing a domestic bank, corporate bond spreads moved wider on the week. The Citigroup Investment Grade Index increased 5bp to 187bp, while corporate CDS spreads displayed more pressure, widening nearly 10bp, according to the Markit CDX NA IG 18 Index. Within sectors, financials experienced the greatest pressure widening 6bp, followed by industrials at 5bp and utilities at 3bp. Although the investment landscape was more pessimistic, corporate new issuance was able to bring \$22bln to market. Earnings season has reached its tail end, but many major retailers will announce during the upcoming week including: Wal-Mart, Target, JC Penney, and Home Depot.

**MBS**

Fannie Mae stepped into the earnings spotlight this past week, posting its first quarter of positive net income since being taken into conservatorship. The firm recognized net income of \$2.78bln in the 1<sup>st</sup> quarter of 2012, after a \$2.4bln loss in the 4<sup>th</sup> quarter of 2011 and will make a dividend payment of \$2.8bln to the Treasury. Helping to boost profits were reductions in credit loss provisions, and increase in net interest reserves, and gains on derivatives. The prospects of home owner delinquencies may be declining, as Fannie set aside just \$2bln for credit losses last quarter versus \$5.5bln in the 4<sup>th</sup> quarter of 2011. Overall, broad based mortgage spreads felt the heat as well last week, increasing 4bp to 48bp, according to Yield Book figures.

**Brokered CDs**

The Brokered CD yield curve shifted last week with 6-month and 1-year rates increasing 5bp, while the 2-year through 5-year portion of the curve remained unchanged.



	Current	Prior Week	Change	% Change	% YTD
<b>CDX Index (CDS Index)</b>					
5 yr	108.58	98.85	9.730	9.84%	-9.52%
10 yr	127.56	122.17	5.390	4.41%	-7.89%
<b>MBS (Current Cpn)</b>					
Fannie 30 yr	2.76	2.81	-0.054	-1.92%	-4.07%
Ginnie 30 yr	2.47	2.53	-0.055	-2.17%	-8.74%
<b>Equities*</b>					
DJIA	12820.60	13038.27	-217.67	-1.67%	4.94%
S&P 500	1353.39	1369.10	-15.71	-1.15%	7.62%
Nasdaq	2933.82	2956.34	-22.52	-0.76%	12.62%
Russell 2000	790.06	791.84	-1.78	-0.22%	6.63%
* Price appreciation					
<b>Bloomberg Corporate Index (A)</b>					
2 yr	1.278	1.232	0.046	3.73%	-25.63%
5 yr	2.283	2.266	0.016	0.71%	-17.12%
10 yr	3.606	3.616	-0.011	-0.29%	-11.68%
30 yr	4.709	4.711	-0.002	-0.04%	-4.63%
<b>Bloomberg Corporate Index (BBB)</b>					
2 yr	1.703	1.652	0.051	3.09%	-22.18%
5 yr	2.711	2.695	0.015	0.56%	-15.69%
10 yr	3.993	4.012	-0.020	-0.49%	-10.99%
30 yr	4.930	4.936	-0.006	-0.12%	-6.43%
<b>Treasuries</b>					
2 yr	0.258	0.254	0.004	1.57%	3.20%
5 yr	0.716	0.784	-0.068	-8.64%	-13.73%
7 yr	1.184	1.281	-0.096	-7.51%	-12.27%
10 yr	1.784	1.879	-0.094	-5.02%	-5.59%
30 yr	2.950	3.071	-0.121	-3.95%	2.06%
2-10 spread	1.526	1.625	-0.098	-6.05%	

(Source: Bloomberg LP, Raymond James)

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