Date	This Week's Numbers	Period	Survey	Prior	Note
05/22	Existing Home Sales	April	4.61m	4.48m	Existing home sales will get the week started on Tues, followed
05/24	Durable Goods Orders	April	0.2%	-4.2%	by mortgage apps and new home sales on Wed, and finishing
05/24	Initial Jobless Claims	May 19th	370k	370k	with durable goods and jobless claims on Thurs.

IN THE NEWS:

- Treasury Yields Close to Record Low on Europe Debt Crisis (**Bloomberg**)
- TIPS Signaling Green Light to Ease Amid Record Low Yields (**Bloomberg**)
- Europe Banks Fear a Flight of Deposits (**WSJ, Page C8**)

TOPICS OF INTEREST:

- **Bond Market Commentary**
- **Investing In Bonds**
- **Taxable Fixed Income Chartbook** and **Weekly Spread Monitor**

TREASURIES

Treasury yields continued to rally this past week pushed lower by heightened risk aversion as a result of fears that Greece may be forced to exit the Euro zone, while Spain's economic and banking issues also weighed on sentiment. Additionally, FOMC meeting minutes released on Wednesday surprised, with the change from a "couple" members to "several" members of the Fed indicating that further easing may be necessary if the economy loses steam. The Treasury rally was led by the long-end where 10-year and 30-year yields fell 11.5bp and 20bp respectively, brining 10-year yields within 2bp of their all-time record low of 1.671%. This upcoming week witnesses new supply in the form of $30bln 3-month and $27bln 6-month bills, as well as $99bln worth of 2-year, 5-year and 7-year notes beginning on Tuesday. The economic calendar is highlighted by housing data (Existing Home Sales – Tues and New Home Sales – Wed) and Durable Goods Orders on Thursday. Across the Atlantic, the European event calendar is fairly light with Wednesday's informal EU leaders "growth summit" in Brussels and Thursday's release of Euro zone manufacturing data being the big events.

CORPORATES

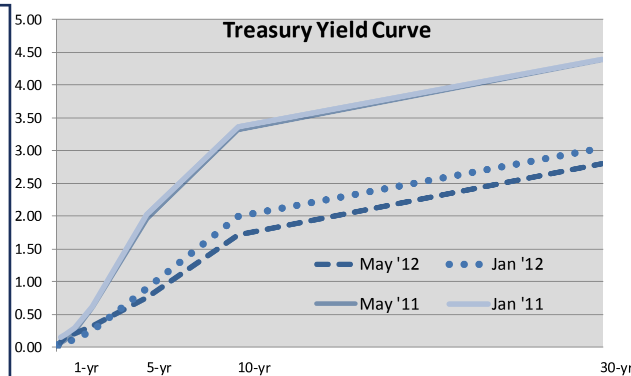
Corporate bond spreads came under considerable pressure this past week with the Citigroup Investment Grade Index widening 20bp to 207bp. It was the largest weekly spread movement since last August. The market's overall risk aversion is due to Greek and Spanish concerns, as well as the after effects of JP Morgan's disclosure on May 10th of a $2bln trading loss. Bank and finance spreads experienced the greatest selling pressure with those corresponding spreads increasing 30bp, doubling the 15bp of widening in both industrials and utilities, according to Yield Book figures. The increase in market volatility left many companies on the sidelines of the new issue market, as only $9.57bln priced last week, according to Informa Global Market and Dealogic data.

MBS

Mortgage applications rose 9.2% in the period ended May 11th, following a 1.7% increase the prior week according to the Mortgage Bankers Association. The refinancing gauge surged 13% while the index of purchases decreased 2.4%. The drop in 30-year Treasury yields led the average rate on a 30-year fixed loan to 3.96%. This is the lowest level on record dating back to 1990. Other housing data showed that housing starts rose 2.6% to an annual rate of 717,000 from March's revised 699,000 pace and building permits decreased 7% to a 715,000 annual pace in April from769,000 in March. Investors were very active this past week reinvesting principal pay-downs into new issue CMO's. The last three weeks saw a drought of Ginnie Mae issuance and Fannie Mae and Freddie Mac issuance has been extremely light, equating to high demand for said paper when it has become available.

Preferreds

Last week's market stress weighed heavily on preferreds leading to a 3.27% sell off in the S&P Preferred Index. The index has lost nearly 4% since May 8th. Protective Life Corporation came to market this past week with a $25 par, junior subordinated debenture that priced to yield 6.25%.



(Source: Bloomberg LP, Raymond James)

	Current	Prior Week	Change	% Change	% YTD
CDX Index (CDS Index)					
5 yr	123.39	108.58	14.818	13.65%	2.83%
10 yr	152.49	135.16	17.335	12.83%	10.12%
MBS (Current Cpn)					
Fannie 30 yr	2.67	2.76	-0.091	-3.30%	-7.23%
Ginnie 30 yr	2.31	2.47	-0.166	-6.71%	-14.87%
Equities*					
DJIA	12369.38	12820.60	-451.22	-3.52%	1.24%
S&P 500	1295.22	1353.39	-58.17	-4.30%	2.99%
Nasdaq	2778.79	2933.82	-155.03	-5.28%	6.67%
Russell 2000	747.21	790.06	-42.85	-5.42%	0.85%
		* Price appreciation			
Bloomberg Corporate Index (A)					
2 yr	1.372	1.278	0.094	7.32%	-20.19%
5 yr	2.348	2.283	0.065	2.85%	-14.76%
10 yr	3.563	3.606	-0.043	-1.19%	-12.74%
30 yr	4.580	4.709	-0.129	-2.74%	-7.25%
Bloomberg Corporate Index (BBB)					
2 yr	1.786	1.703	0.083	4.85%	-18.41%
5 yr	2.763	2.711	0.052	1.92%	-14.07%
10 yr	3.930	3.993	-0.063	-1.58%	-12.40%
30 yr	4.794	4.930	-0.136	-2.76%	-9.02%
Treasuries					
2 yr	0.290	0.258	0.032	12.56%	16.16%
5 yr	0.746	0.746	0.000	-0.07%	-10.13%
7 yr	1.165	1.231	-0.066	-5.34%	-13.67%
10 yr	1.735	1.838	-0.103	-5.61%	-8.22%
30 yr	2.819	3.010	-0.192	-6.37%	-2.47%
2-10 spread	1.444	1.580	-0.135	-8.57%	

(Source: Bloomberg LP, Raymond James)