MARKET COMMENTS

After showing signs of fatigue last year, the stock market began 2006 with its best opening quarter since 2002. The Dow Jones Industrial Average was up 3.66%, while the Standard & Poor's 500 index and the NASDAQ index posted gains of 3.73% and 6.10% respectively. To date, the year's best performers are small and medium capitalization stocks with foreign markets also strong. Bullish investors are hoping that a prolonged "Goldilocks" economy with steady growth, moderate interest rates, and benign inflation will propel the stock market to even higher highs. Some analysts warn that investors should brace for volatile markets, as the outlook for interest rates and corporate profits becomes less clear.

What investors are wondering now is when will the Federal Reserve stop raising interest rates in this cycle that began fifteen rate increases ago in June 2004. Last week the Fed's target rate for overnight lending was increased to 4.75%, still low by historic standards. The Fed minutes indicated that future rate increases will be based on such inflation indicators as price data and employment levels. In addition, they will be watching oil price levels to see if they bleed through into the prices of other products. The next Federal Reserve meeting is May 10th and most economists are expecting another increase in the Federal Funds rate to 5% at that time.

The stocks market fears rate increases for several reasons. Higher rates raise the cost of borrowing for consumers and business putting a drag on consumer spending and corporate profits. Higher rates make bonds and money market accounts a more attractive alternative to stocks and increases the concern of a credit accident in the real estate market. The hope is that the Fed will avoid such disasters, with an economic "soft landing", meaning a slowdown in growth without a recession. Although analysts may have to cut their profit forecasts in light of the Fed's tone, they are expecting companies in the S&P 500 to turn in double digit quarterly profit gains through year end, well above the 7% average growth rate that has prevailed since the 1980's.

International mutual funds were top performers in the first quarter followed closely by small growth capitalization funds and mid-caps. In the domestic market the average diversified stock fund rose 6.57%, with the average balanced fund advancing by 3.15%. Intermediate and long maturity bond funds had negative results for the quarter. "Cash was king" as money market funds had their best quarter in years when compared to bond mutual funds.

We began the year bullish on the stock market and bearish on the bond market. Since January 2005 we indicated the stock market was in a sweet spot historically and that we expected the Dow Jones Industrial Average to be above 12,000 by year-end 2006. Our bullish stance on stocks will continue until the economy goes into a recession or new highs are reached. The flat yield curve in the bond market continues to limit new bond purchases to under 2 years in maturity with money market rates increasing. Allocation to stock investments is near our maximum and allocation to bond investments is near our minimum.

KEY INTEREST RATES

March 31, 2006

Week Ending	T-Bill 90 Day	CP 90 Day	CD 90 Day	FF Over	Euro $	TB 1 yr	TN 3yr	TN 10 yr	TB 30 yr
12/30/05	3.92	4.41	4.48	4.22	4.51	4.36	4.34	4.37	4.60
1/6/06	4.10	4.42	4.51	4.16	4.54	4.37	4.30	4.37	4.62
1/13	4.20	4.46	4.54	4.23	4.57	4.41	4.34	4.41	4.65
1/20	4.26	4.50	4.57	4.29	4.60	4.43	4.30	4.36	4.59
1/27	4.32	4.53	4.60	4.26	4.63	4.50	4.39	4.46	4.69
2/3	4.37	4.56	4.65	4.44	4.68	4.60	4.52	4.55	4.75
2/10	4.40	4.60	4.69	4.50	4.72	4.67	4.61	4.56	4.73
2/17	4.44	4.64	4.72	4.49	4.75	4.70	4.67	4.59	4.76
2/24	4.47	4.68	4.76	4.49	4.78	4.72	4.69	4.56	4.70
3/3	4.50	4.70	4.80	4.50	4.83	4.74	4.71	4.61	4.76
3/10	4.49	4.74	4.84	4.51	4.87	4.77	4.78	4.74	4.91
3/17	4.50	4.79	4.89	4.51	4.91	4.76	4.70	4.71	4.90
3/24	4.56	4.82	4.91	4.57	4.94	4.77	4.69	4.69	4.90
3/31	4.51	4.85	4.94	4.70	4.97	4.82	4.79	4.80	5.01
Net Change	***+0.59***	***+0.44***	***+0.46***	***+0.48***	***+0.46***	***+0.46***	***+0.45***	***+0.43***	***+0.41***

ECONOMIC STATISTICS

INDICIES

Leading Indicators

Sept	-0.7
Oct	1.0
Nov	0.9
Dec	0.3
Jan	0.5
Feb	-0.2

Producer Prices

Sept	1.9
Oct	0.7
Nov	-0.7
Dec	0.6
Jan	0.3
Feb	-1.4

Consumer Prices

Sept	1.2
Oct	0.2
Nov	-0.6
Dec	-0.1
Jan	0.7
Feb	0.1

Unemployment

Sept	5.1
Oct	4.9
Nov	5.0
Dec	4.9
Jan	4.7
Feb	4.8

INDUSTRY

Construction Spending

Sept	1.3
Oct	0.8
Nov	0.5
Dec	1.0
Jan	0.4
Feb	0.8

Factory Orders

Sept	-1.4
Oct	1.7
Nov	3.3
Dec	1.6
Jan	-3.9
Feb	0.2

Industrial Production

Sept	-1.6
Oct	1.3
Nov	0.7
Dec	0.9
Jan	-0.3
Feb	0.7

Merchandise Trade

Sept	-66.0
Oct	-68.9
Nov	-64.7
Dec	-65.1
Jan	-68.5
Feb	N/A

CONSUMER

Retail Sales

Sept	0.3
Oct	0.3
Nov	0.8
Dec	0.4
Jan	2.9
Feb	-1.3

Housing Starts

Sept	2.4
Oct	-6.7
Nov	2.5
Dec	-4.4
Jan	6.8
Feb	-3.2

Personal Income

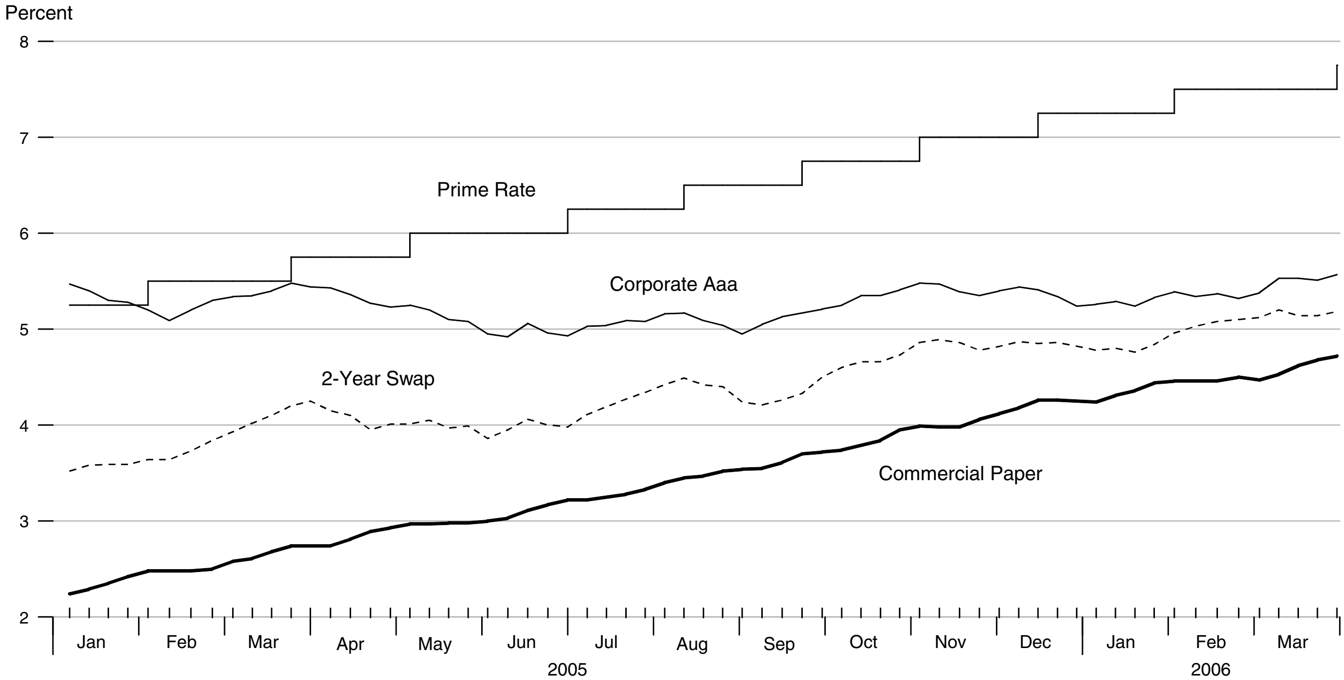
Sept	3.0
Oct	0.5
Nov	0.4
Dec	0.5
Jan	0.7
Feb	0.3

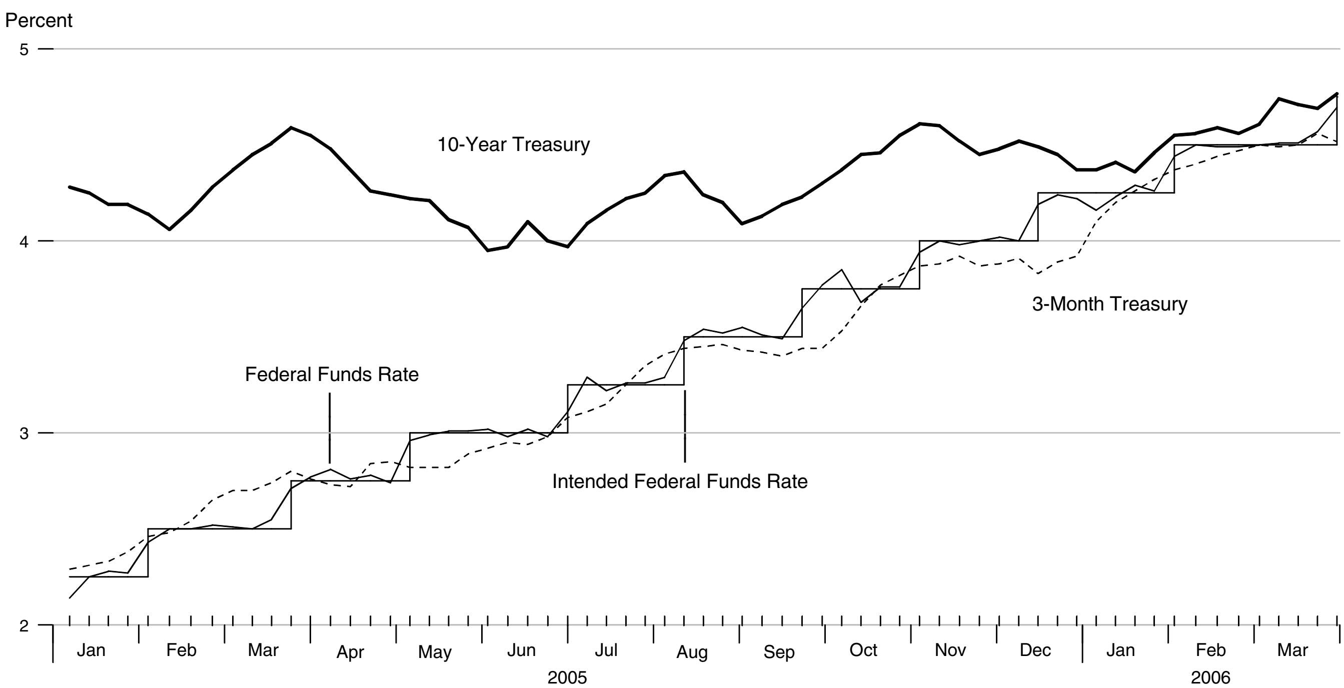
Durable Goods

Sept	-2.0
Oct	3.0
Nov	5.4
Dec	2.5
Jan	-8.9
Feb	2.6

Yields on Selected Securities

Averages of Daily Figures





Interest Rates

Percent

	30-Day Comm. Paper	90-Day CDs	2-Year Interest Rate Swap	Corporate Aaa Bonds	Corporate Baa Bonds	Municipal Bonds	Federal Funds	3-Month Treasury Bill	2-Year Treasury Securities	5-Year Treasury Securities	10-Year Treasury Securities	20-Year Treasury Securities
Jan 6	4.24	4.51	4.78	5.26	6.21	4.35	4.16	4.10	4.33	4.30	4.37	4.62
13	4.31	4.54	4.80	5.29	6.24	4.37	4.23	4.20	4.39	4.34	4.41	4.65
20	4.36	4.57	4.76	5.24	6.19	4.33	4.29	4.26	4.35	4.29	4.36	4.59
27	4.44	4.60	4.84	5.33	6.26	4.42	4.26	4.32	4.44	4.38	4.46	4.69
Feb 3	4.46	4.65	4.96	5.39	6.31	4.43	4.44	4.37	4.57	4.49	4.55	4.75
10	4.46	4.69	5.03	5.34	6.28	4.42	4.50	4.40	4.64	4.54	4.56	4.73
17	4.46	4.72	5.08	5.37	6.30	4.42	4.49	4.44	4.69	4.59	4.59	4.76
24	4.50	4.76	5.10	5.32	6.23	4.36	4.49	4.47	4.71	4.61	4.56	4.70
Mar 3	4.47	4.80	5.12	5.38	6.27	4.39	4.50	4.50	4.72	4.66	4.61	4.76
10	4.53	4.84	5.20	5.53	6.41	4.45	4.51	4.49	4.74	4.76	4.74	4.91
17	4.62	4.89	5.14	5.53	6.41	4.40	4.51	4.50	4.67	4.67	4.71	4.90
24	4.68	4.91	5.14	5.51	6.39	4.43	4.57	4.56	4.72	4.67	4.69	4.90
31 *	4.72	4.93	5.18	5.57	6.46	.	4.70	4.52	4.78	4.76	4.77	4.97

*Averages of rates available

Money Stock and Components

Billions of dollars, seasonally adjusted

	M2	MZM	Currency	Small Time	Savings	Large Time*	Retail Money
Feb 6	6732.2	6889.0	732.6	995.4	3636.1	1389.7	718.6
13	6735.3	6877.4	732.5	1000.5	3657.8	1400.3	721.8
20	6775.3	6907.8	733.1	1004.6	3671.5	1404.8	723.1
27	6782.6	6934.0	733.7	1008.2	3658.0	1403.8	728.5
Mar 6	6779.6	6925.6	734.1	1011.3	3665.7	1419.3	728.3
13	6753.2	6893.2	735.1	1016.0	3649.7	.	730.3
20	6779.1	6904.1	735.6	1020.1	3647.7	.	730.9

*Please, see note on page 15.

Reserves and Base

Billions of dollars, seasonally adjusted

	Adjusted Monetary Base	Adjusted Reserves
Jan 4	818.083	97.673
18	826.699	99.919
Feb 1	835.804	100.530
15	828.584	92.545
Mar 1	835.116	95.433
15	831.941	94.121
29	835.247	.

Bank Loans and Credit

Billions of dollars, seasonally adjusted

	Bank Credit	Loans and Leases	C&I Loans (All)	C&I Loans (Large)	Comm. Paper (nsa)	Total Borrowings
Feb 15	7631.0	5538.4	1075.1	526.9	133.9	0.098
22	7637.2	5533.8	1078.8	529.6	133.9	0.045
Mar 1	7659.8	5541.5	1080.0	530.3	138.6	0.034
8	7648.6	5548.2	1077.3	527.4	135.7	0.062
15	7677.0	5569.8	1085.4	533.1	142.1	0.059
22	.	.	.	.	136.7	0.403
29	.	.	.	.	134.2	0.091

Exchange Rates

	Major Exchange Rate Index	Broad Exchange Rate Index	Exchange Rate: Euro/$	Exchange Rate: Yen/$
Feb 17	85.5	110.7	0.841	117.9
24	85.4	110.5	0.840	117.8
Mar 3	84.7	110.0	0.837	116.1
10	85.5	110.9	0.839	118.0
17	85.0	110.4	0.828	117.3
24	85.2	110.7	0.828	117.1
31 *	85.5	111.1	0.830	117.2

*Averages of rates available