1. Fed Chairman Bernanke offered a hopeful view of the economy’s performance but with little substance to back it up. Additionally he implicitly admitted that the Fed’s options are limited going forward except to maintain its balance sheet and keep rates lower for longer.

2. One implication of the Chairman’s remarks is that fiscal policy may need to be moved to the front burner if the economy stumbles. Our preference continues to be for a complete and permanent elimination of the payroll tax financed by long term social security and medicare reform.

3. Commodity prices have been easing on balance and this is supportive of the Chairman’s hopeful outlook. However, OPEC disbanded this week without an agreement to raise output so the onus is now almost completely on Saudi to keep energy prices stable.

4. The USDA’s updated crop report was positive for corn but neutral to negative for other crops. The corn supply-demand balance is very tight and acres have been lost to foul spring weather. Let us pray for an excellent growing season.

5. The trade deficit narrowed in April as imports from Japan were reduced and oil prices fell. This will have a positive impact on GDP in the spring quarter but it will be partially offset by a reduction in inventory.

6. The Japan quake was responsible for the reduction in imports and this is presumably temporary. Likewise related cuts in auto production have probably had a role in raising jobless claims. Typical summer shutdowns of vehicle plants should not occur this year and this in turn should impose a downward bias on jobless claims. If it does not, it would suggest there is more fundamental weakness in the economy. In the latest week jobless claims stayed above 400K and the four week average was at 424K – too high.