

For The Week Ended November 13, 2009
Weekly Market Commentary & Developments

US Economy and Credit Markets:

Yields and Weekly Changes:

3 Mo. T-Bill	0.05 (+01)	GNMA (30 Yr) 6% Coupon: 106-28/32 (2.27%)
6 Mo. T-Bill	0.15 (unch.)	Duration: 3.12 years
1 Yr. T-Bill	0.28 (-02 bps)	30-Year Insured Revs: 162.0% of 30 Yr. T-Bond
2 Yr. T-Note	0.80 (-03 bps)	Bond Buyer 40 Yield: 5.44% (+02 bps)
3 Yr. T-Note	1.34 (-01 bps)	Crude Oil Futures: 76.40 (-1.03)
5 Yr. T-Note	2.25 (-04 bps)	Gold Futures: 1119.10 (+23.40)
10 Yr. T-Note	3.42 (-07 bps)	Merrill Lynch High Yield Indices:
30 Yr. T-Bond	4.35 (-04 bps)	BB, 7-10 Yr. 8.04% (-07 bps)
		B, 7-10 Yr. 9.44% (-06 bps)

Treasury prices were generally higher this week which was relatively short on major economic data however did include U.S. government auctions of 3 and 10 year notes as well as 30 year bonds. Treasuries were little changed on Monday despite a strong rally in equities and well bid \$40 billion auction for three-year Treasury notes which was the largest of that maturity since the Treasury began regular auctions of those securities in 1981. Treasuries were again little changed on Tuesday with fluctuating equities and a \$25 billion 10-year note auction. Treasury prices did end higher on Thursday as equities weakened and the 30-year bond auction was successful despite relatively weak demand. With November preliminary U of M Consumer Confidence coming in lower than expected at 66.0 vs. the 71.0 expectation, Treasuries closed Friday modestly higher. The trade deficit for September was reported larger than expected, expanding to \$36.5 billion vs. the estimate of \$31.8 billion. Major economic reports (and related consensus forecasts) for next week include: Monday: October Advance Retail Sales (0.90%), November Empire Manufacturing (30.0); Tuesday: October PPI (0.50%, -1.80% YoY), October PPI Ex Food & Energy (0.10%, 1.40% YoY), October Industrial Production (0.40%); Wednesday: October CPI (0.10%, -0.30% YoY), October CPI Ex Food & Energy (0.10%, 1.60% YoY), October Housing Starts (600,000), October Building Permits (580,000); Thursday: October Leading Indicators (0.40%).

US Stocks:

Weekly Index Performance

DJIA	10270.47 (+247.05,+2.5%)
S&P 500	1093.48 (+24.18,+2.3%)
S&P MidCap	698.26 (+16.91,+2.5%)
S&P Small Cap	310.46 (+3.38,+1.1%)
NASDAQ Comp	2167.88 (+55.44,+2.6%)
Russell 2000	586.28 (+5.93,+1.0%)

Market Indicators

Strong Sectors: Materials, Consumer Discretionary, Tech
Weak Sectors: Energy, Utilities, Telecomm Services
NYSE Advance/Decline: 2,030 / 1,146
NYSE New Highs/New Lows: 409 / 12
AAll Bulls/Bears: 38.6% / 38.6%

US stocks built on recent gains as commodity stocks benefitted from a weaker dollar and positive earnings from the consumer discretionary sector sent stocks to new 2009 highs. Gold gained to end the week at a 2009 high of \$1119/oz. Oil fell modestly on a build in inventories. The week's economic data showed jobless claims remained above 500k, the trade deficit widened and U of Michigan Consumer Confidence trailed estimates. **McDonald's** reported strong October comp sales due to strong sales in Europe and Asia. **Wal-Mart** reported in-line 3Q EPS. **Abercrombie** and **JC Penney** responded positively to earnings reports while **Macy's** and **Nordstrom** fell after results trailed expectations. **Priceline.com** surged after handily beating EPS and revenue targets on strength in foreign bookings. **Toll Brothers** shares surged following better than expected earnings and positive commentary on future order trends. **Disney** reported EPS ahead of forecasts due to solid results across all business lines. **RadioShack** gained on plans to offer the iPhone. Financial shares were under pressure following Senator Dodd's proposal for financial industry reform. **AMD** shares spiked higher after **Intel** agreed to pay \$1.2 billion to end all legal disputes. In merger news, **Hewlett-Packard** will pay \$2.7 billion for **3Com** to increase its networking offerings to better compete with **Cisco**. European regulators raised objections to **Oracle's** proposed acquisition of **Sun Microsystems**. Looking ahead, the coming week brings more retail earnings and a handful of economic reports. Equities are likely to continue grinding higher as long as data continues to point toward improving conditions despite some concerns the rally could be losing steam.