

Weekly Market Update

For the week ended
November 10, 2006

US Stocks	
Weekly Index Performance	
DJIA:	12108.43 (+122.39,+1.0%)
S&P 500:	1380.90 (+16.60,+1.2%)
S&P MidCap:	792.27 (+15.92,+2.1%)
S&P SmallCap:	391.69 (+7.97,+2.1%)
Nasdaq Comp:	2389.72 (+59.93,+2.5%)
Russell 2000:	769.15 (+16.42,+2.2%)
Market Indicators	
Strong Sectors:	Technology, Consumer Discretionary, Industrials
Weak Sectors:	Health Care, Telecom, Consumer Staples
NYSE Advance/Decline:	2,602 / 937
NYSE New Highs/New Lows:	590 / 44
AAll Bulls/Bears:	50.6% / 26.5%

U.S. stocks posted solid gains last week as a Democratic sweep of Congress did little to deter the bulls. Technology led the way thanks to strong earnings, while health care and telecom were the only sectors in negative territory on legislative concerns due to the election results. Earnings continued to be a major factor in the week's action. To date, roughly 90% of the S&P 500 has reported with almost 75% of companies beating expectations, well above long-term averages. In addition, this will mark the 17th consecutive quarter of double digit year-over-year earnings gains. **Cisco** led tech higher after reporting earnings ahead of forecast and predicting higher revenues in the current quarter. **AIG** handily beat estimates helped by a mild hurricane season. Satellite radio providers **XM Satellite** and **Sirius** both reported much better than expected quarters and their shares rose sharply. **Disney** shares were lower Friday despite solid earnings as investors questioned future growth prospects. **Boeing** shares rose 7% on the week after the company won two big contracts. In merger news, Monday was a busy day with three big deals announced. **Four Seasons** (\$3.0 billion) and **OSI Restaurants** (\$3.0 billion) both received buyout offers from private investors while **Kos Pharmaceuticals** agreed to be acquired by **Abbott** for \$3.7 billion. Looking ahead, with the election behind us investors can now return to focusing on the economy and corporate profit growth and what it means for stocks going forward. While acknowledging there are challenges to be faced, investors with appropriate expectations should find equity valuations and the outlook for corporate profit growth compelling at current levels.

US Economy and Credit Markets	
Yields and Weekly Changes:	
3 Mo. T-Bill:	5.08% (unch.)
6 Mo. T-Bill:	5.14% (-02 bps)
2 Yr. T-Note:	4.73% (-08 bps)
3 Yr. T-Note:	4.61% (-13 bps)
5 Yr. T-Note:	4.56% (-12 bps)
10 Yr. T-Note:	4.58% (-13 bps)
30 Yr. T-Bond:	4.69% (-11 bps)
GNMA (30 Yr) 8% Coupon:	104-21/32 (6.56%)
Duration:	3.26 years
30 Year Insured Revs:	90.6% of 30 Yr. T-Bond
Bond Buyer 40 Yield:	4.62% (-05 bps)
Goldman Sachs Commodity Index:	5818.66 (+10.27)
Merrill Lynch High Yield Indices:	
BB, 7-10 Yr.	7.16% (-08 bps)
B, 7-10 Yr.	8.12% (-06 bps)

As control of both houses of Congress swung to the Democrats, Treasury prices showed their largest weekly gains since September. In addition to the gain in prices, the inversion of the yield curve grew steeper, as the spread between the 2-year note and the benchmark 10-year note grew to 15 basis point, the widest it has been since a 16-point difference in February. February's spread was the largest since December of 2000. One of the drivers of the higher prices was the belief that President Bush's spending plans will be curtailed by the Democratic Congress, lowering the supply of Treasury debt. Additionally, demand for U.S government debt remains high from foreign central banks. Economic reports (and related consensus forecasts) for the coming week include: Monday: October Monthly Budget Statement -\$49.0B Tuesday: October Producer Price Index -0.6% less Food & Energy 0.1% October Advance Retail Sales -0.4% Retail Sales Less Autos -0.2% September Business Inventories 0.5% Thursday: October Consumer Price Index -0.3% less Food & Energy 0.2% Initial Jobless Claims 311K October Industrial Production 0.3% Capacity Utilization 82.00% November Philadelphia Fed. 5.0 NAHB Housing Market Index 30.0 Friday: October Housing Starts 1675K

Source: Bloomberg and Barron's