

Weekly Market Update

For the week ended
November 3, 2006

US Stocks	
Weekly Index Performance	
DJIA:	11986.04 (-104.22,-0.9%)
S&P 500:	1364.30 (-13.04,-0.9%)
S&P MidCap:	776.35 (-10.89,-1.4%)
S&P SmallCap:	383.72 (-6.84,-1.8%)
Nasdaq Comp:	2330.79 (-19.83,-0.8%)
Russell 2000:	752.73 (-13.11,-1.7%)
Market Indicators	
Strong Sectors:	Energy, Technology, Materials
Weak Sectors:	Telecom, Consumer Staples, Health Care
NYSE Advance/Decline:	1,437 / 2,102
NYSE New Highs/New Lows:	516 / 55
AAll Bulls/Bears:	43.8% / 36.9%

U.S. stocks lost ground for the first time in six weeks as doubts about the strength of the economy crept into investor's minds. The week's economic data was once again conflicting, though skewed to the negative side. Consumer confidence and the Chicago PMI were among weaker than expected reports, while Friday's employment report showed the unemployment rate fell to 4.4%. October retail sales did little to quash consumer slowdown fears as, on average, results were disappointing. **Wal-Mart** sales inched higher in October, below revised forecasts. **Target** also reported disappointing sales. **Nordstrom** and **JC Penney** were two standouts to the upside. **MasterCard** reported strong quarterly results in its first full quarter as a public company and its shares gained 23% for the week. Other companies reporting solid results were **Proctor & Gamble**, **Electronic Arts** and **JDS Uniphase**. **Whole Foods** shares sank 23% Friday after the natural foods grocer lowered its 2007 growth forecast. **Garmin** shares fell, despite better than expected earnings, due to a revenue shortfall. In merger news, **CVS** will acquire **Caremark** for over \$20 billion. The deal was not well received as both companies saw their shares fall following the announcement. Elsewhere, **American Power Conversion** agreed to be acquired for \$6.1 billion in cash and **CB Richard Ellis** will acquire **Trammell Crow** for \$1.8 billion. Looking ahead, Tuesday's election will help lift some of the uncertainty that has been hanging over the market recently. Regardless of who controls Washington, equities remain an attractive asset class. Recent concerns over economic strength could lead to short-term volatility, but for long-term investors valuations remain compelling.

US Economy and Credit Markets	
Yields and Weekly Changes:	
3 Mo. T-Bill:	5.08% (-01 bps)
6 Mo. T-Bill:	5.16% (+03 bps)
2 Yr. T-Note:	4.81% (+07 bps)
3 Yr. T-Note:	4.74% (+06 bps)
5 Yr. T-Note:	4.68% (+05 bps)
10 Yr. T-Note:	4.71% (+04 bps)
30 Yr. T-Bond:	4.80% (+01 bps)
GNMA (30 Yr) 8% Coupon:	105-13/32 (6.31%)
Duration:	3.24 years
30 Year Insured Revs:	88.1% of 30 Yr. T-Bond
Bond Buyer 40 Yield:	4.67% (-02 bps)
Goldman Sachs Commodity Index:	5808.39 (-98.77)
Merrill Lynch High Yield Indices:	
BB, 7-10 Yr.	7.24% (-04 bps)
B, 7-10 Yr.	8.18% (-03 bps)

After posting impressive gains for the prior week, Governments continued to rally through Wednesday as generally weak economic data suggested to some market strategists that the Fed might begin easing monetary policy in early 2007. However, Treasury bids softened Thursday after a report showed that third-quarter unit labor costs (a key inflation indicator) increased more than expected while productivity stalled. On Friday, yields spiked higher in reaction to an unexpected drop in the October unemployment rate to 4.4% (the lowest level since May 2001) and the substantial upward revision to non-farm payroll gains for August and September – October payrolls were also higher. These reports of tightening labor markets and increasing unit labor costs could signal the potential for increased inflation -- the primary risk to the economy cited by the Fed after each of the past five FOMC meetings. Economic reports (and related consensus forecasts) for the coming week include: Tuesday: Sept. Consumer Credit (\$6.0B); and Thursday: Sept. Trade Balance (-\$65.7B), Initial Jobless Claims (315,000), Sept. Wholesale Inventories (0.7%) and Nov. preliminary University of Michigan Consumer Confidence Index (93.4).

Source: Bloomberg and Barron's