

Weekly Market Update

For the week ended
December 15, 2006

US Stocks	
Weekly Index Performance	
DJIA:	12445.52 (+138.03, +1.1%)
S&P 500:	1427.09 (+17.25, +1.2%)
S&P MidCap:	816.07 (+0.03, +0.0%)
S&P SmallCap:	403.98 (+5.27,+1.3%)
Nasdaq Comp:	2457.20 (+19.84, +0.8%)
Russell 2000:	792.71 (+0.15, +0.0%)
Market Indicators	
Strong Sectors:	Energy, Financials, Telecom Svcs., Utilities
Weak Sectors:	Mining & Metals, Consumer Goods, REIT's
NYSE Advance/Decline:	2,030 / 1,503
NYSE New Highs/New Lows:	733 / 37
AAII Bulls/Bears:	41.3% / 20.6%

US stocks moved higher as new economic data implied a "goldilocks" scenario of moderate growth with low inflation while earnings, particularly from the investment banks, were impressive. The week's action took the DJIA to another new record close and the S&P 500 to a new six-year high. Tuesday's announcement of no change in interest rates from the Federal Reserve came as no surprise but the Fed acknowledged the weak housing environment in its comments. OPEC followed through with a deferred cut to crude oil production, sending futures prices higher for the week. November retail sales came in strong, easing fears of a retrenching consumer. Friday's consumer price index was flat, defying expectations. Industrial production showed strength. **General Electric** shares rose 5.9% to a 52-week high following the company's update to investors. **Goldman Sachs**, **Lehman Brothers** and **Bear Stearns** each reported blowout fourth-quarter results, highlighted by Goldman's 93% surge in net income. Only Bear Stearns' shares advanced as the others succumbed to profit-taking. **Costco's** results surprised with strength while **Best Buy** posted disappointing profits owing to margin pressure. **Citigroup** shares gained as investors continued to anticipate more radical restructuring moves. **Nucor** issued a profit warning for the current quarter. Looking ahead, more key economic data awaits investors in the coming week, including reports on producer prices, durable goods orders and housing. Quarterly reports are due out from **Morgan Stanley**, **Oracle**, **FedEx**, and **Walgreen** among others. With the economic picture gaining clarity and with many professional investors playing catch-up, there could remain plenty of room for stocks to run higher into year-end.

US Economy and Credit Markets	
Yields and Weekly Changes:	
3 Mo. T-Bill:	4.90% (-05 bps)
6 Mo. T-Bill:	5.04% (-01 bps)
2 Yr. T-Note:	4.71% (+04 bps)
3 Yr. T-Note:	4.61% (+05 bps)
5 Yr. T-Note:	4.56% (+04 bps)
10 Yr. T-Note:	4.59% (+04 bps)
30 Yr. T-Bond:	4.71% (+05 bps)
GNMA (30 Yr) 8% Coupon:	103-30/32 (6.64%)
Duration:	3.14 years
30 Year Insured Revs:	89.4% of 30 Yr. T-Bond
Bond Buyer 40 Yield:	4.59% (+03 bps)
Goldman Sachs Commodity Index:	5875.38 (+38.62)
Merrill Lynch High Yield Indices:	
BB, 7-10 Yr.	6.98% (+01 bps)
B, 7-10 Yr.	8.07% (unch.)

As the stock market continues to rise, Treasury prices fell for the second straight week, while the Fed left rates unchanged for fourth straight time when it met Tuesday. In addition, positive news from the economy acted as a drag on Treasury prices. November retail sales grew at 1 percent, for higher than the consensus forecast of 0.2 percent. Prices came off of their lows for the week on Friday, when CPI — both overall and “core,” which excludes food and energy — was unchanged for November. While the 2.6 percent increase in core CPI over the past 12 months is above the Fed’s desired level of between 1 percent and 2 percent, the figure was better than anticipated. Economic reports (and related consensus forecasts) for the coming week include: Monday: 3Q Current Account Balance (-\$225.0 billion); Tuesday: November Producer Price Index (0.6%, less Food & Energy 0.2%) and November Housing Starts (1,535,000); Thursday: 3Q final GDP (2.2%, Price Index 1.8%) and Personal Consumption 2.9%, Initial Jobless Claims (315,000), November Leading Indicators (unch.), and December Philadelphia Fed Report (3.3); and Friday: November Personal Income (0.4%) and Personal Spending (0.5%), November Durable Goods Orders (1.5%, less Transportation 1.1%), and December Final University of Michigan Consumer Sentiment (90.2).

Source: Bloomberg and Barron's