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Weekly Market Update

For the week ended
December 22, 2006

US Stocks	
Weekly Index Performance	
DJIA:	12343.22 (-102.30,-0.8%)
S&P 500:	1410.76 (-16.33,-1.1%)
S&P MidCap:	802.16 (-13.91,-1.7%)
S&P SmallCap:	396.96 (-6.11,-1.5%)
Nasdaq Comp:	2401.18 (-56.02,-2.3%)
Russell 2000:	780.82 (-11.89,-1.5 %)
Market Indicators	
Strong Sectors:	Financials, Health Care, Consumer Staples
Weak Sectors:	Energy, Materials, Technology
NYSE Advance/Decline:	1,475 / 2,072
NYSE New Highs/New Lows:	547 / 40
AAII Bulls/Bears:	39.1% / 42.5%

U.S. stocks came under pressure and had their worst weekly loss since July as investors found little to like in a week of mixed economic data and earnings reports biased to the downside. Energy shares bore the brunt of the selling as both oil and natural gas declined on the week. The sell-off was broad based however as all ten major sectors posted losses. **Morgan Stanley** hit a five year high after reporting strong results and announcing the spin-off of its Discover credit card unit. **General Mills** hit an all-time high thanks to strong earnings and an increased forecast for the year. **Circuit City** shares sank 14% following weak quarterly results blamed on increasing price competition for big screen TVs. **Oracle** share fell despite in-line earnings due to weak new license revenues. Both **Qualcomm** and **FedEx** lowered current quarter profit forecasts. The week was again full of M&A activity. **Express Scripts** offered $26 billion for **Caremark**, trumping an earlier bid by **CVS**. **Harrah's** agreed to a sweetened $90/share offer from a private equity group, while **Realogy** and **Biomet** also agreed to private equity deals. **Norsk Hydro** agreed to sell its energy assets to **Statoil** for $28 billion and **Redback Networks** agreed to be acquired by **Ericsson**. Looking ahead, the final week of the year is likely to be light on news flow and trading volume so it will hard to draw any long-term conclusions from the week's market action. However, equity valuations and a resilient economy continue to point to further upside for equities as we head into the new year.

US Economy and Credit Markets	
Yields and Weekly Changes:	
3 Mo. T-Bill:	4.97% (+07 bps)
6 Mo. T-Bill:	5.06% (+02 bps)
2 Yr. T-Note:	4.72% (+01 bps)
3 Yr. T-Note:	4.63% (+02 bps)
5 Yr. T-Note:	4.58% (+02 bps)
10 Yr. T-Note:	4.61% (+02 bps)
30 Yr. T-Bond:	4.75% (+04 bps)
GNMA (30 Yr) 8% Coupon:	104-00/32 (6.71%)
Duration:	3.14 years
30 Year Insured Revs:	89.3% of 30 Yr. T-Bond
Bond Buyer 40 Yield:	4.58% (-01 bps)
Goldman Sachs Commodity Index:	5734.41 (-140.97)
Merrill Lynch High Yield Indices:	
BB, 7-10 Yr.	6.99% (+01 bps)
B, 7-10 Yr.	8.06% (-01 bps)

Yields continued to trend higher this week as they have since the beginning of the month. Although Treasuries traded in a narrow range during the first three days, yields dipped Thursday in reaction to a wire service report of the potential for a terror attack in London over the holidays. By mid-morning Friday, in thin trading, Treasuries had erased the previous day's gains after reports showed that personal spending increased in November and consumer confidence was more resilient than many forecasters had anticipated. In addition, a separate report indicated that the Core PCE Price Index (believed by many market participants to be the Fed's preferred inflation gauge) continued to remain stubbornly above the 1% to 2% range which the Fed has specified as an acceptable annual rate of inflation. Also contributing to Friday's price declines were the likely effects of traders reducing positions in advance of the long Christmas-holiday weekend and the early closing of fixed-income markets. Economic reports (and related consensus forecasts) for the coming week include: Wednesday: November New Home Sales (1,020K); and Thursday: Initial Jobless Claims (320,000), December Consumer Confidence (102.0), December Chicago Purchasing Mangers Index (50.4) and November Existing Home Sales (6.20M).

Source: Bloomberg and Barron's