

### Weekly Market Update

For the week ended  
December 1, 2006

US Stocks	
Weekly Index Performance	
DJIA:	12194.13 (-86.04, -0.7%)
S&P 500:	1396.71 (-4.24, -0.3%)
S&P MidCap:	809.28 (-2.35, -0.3%)
S&P SmallCap:	398.71 (-3.80, -0.9%)
Nasdaq Comp:	2413.21 (-47.05, -1.9%)
Russell 2000:	781.17 (-11.11, -1.4%)
Market Indicators	
Strong Sectors:	Energy, Utilities, Health Care, Precious Metals
Weak Sectors:	Technology, Financials, Retail, Autos
NYSE Advance/Decline:	1,884 / 1,652
NYSE New Highs/New Lows:	654 / 37
AAll Bulls/Bears:	40.2% / 47.5%

US stocks pulled back amid worries over some weaker than expected economic data, hawkish comments from Fed officials, higher oil prices and lackluster November sales from retailers. On Friday, the monthly ISM survey of manufacturing activity came in below 50 for the first time in over three years, yet an intra-day rally kept losses contained. The revision to third quarter GDP was better than expected at 2.2%, but reports on durable goods orders and new home sales revealed weakness. Meanwhile, the core PCE deflator showed inflation at 2.36% year over year, above the Fed's stated comfort zone. Crude oil prices advanced past \$63/bbl, boosting energy shares. **ExxonMobil** was the DJIA's top performer for the week. Gold prices rallied as the dollar continued to slide. **Wal-Mart** reported a drop in monthly same-store sales, the first in over ten years. Sales at **Federated Stores** rose impressively. **Home Depot** shares advanced on speculation it may be taken private. Technology shares were sold down on profit-taking. **Nokia** trimmed a profit margin target. Financials traded generally lower as hopes for a near-term interest-rate cut were doused. **Pfizer** announced a 20% cut to its sales force in addition to guiding current-year earnings higher. **General Motors** shares fell on news investor Kerkorian sold his entire stake in the automaker. Looking ahead, investors have the November jobs report, due out Friday, on their radar screens. In stark contrast to the bond market, the stock market continues to reflect an optimistic view of the economy and outlook for corporate profits. Until the debate is resolved, investors are advised to stay diversified.

<b>US Economy and Credit Markets</b>	
<b>Yields and Weekly Changes:</b>	
<b>3 Mo. T-Bill:</b>	5.01% (-01 bps)
<b>6 Mo. T-Bill:</b>	5.03% (-09 bps)
<b>2 Yr. T-Note:</b>	4.52% (-20 bps)
<b>3 Yr. T-Note:</b>	4.42% (-22 bps)
<b>5 Yr. T-Note:</b>	4.38% (-16 bps)
<b>10 Yr. T-Note:</b>	4.43% (-11 bps)
<b>30 Yr. T-Bond:</b>	4.54% (-09 bps)
<b>GNMA (30 Yr) 8% Coupon:</b>	104-16/32 (6.54%)
<b>Duration:</b>	3.12 years
<b>30 Year Insured Revs:</b>	92.1% of 30 Yr. T-Bond
<b>Bond Buyer 40 Yield:</b>	4.51% (-10 bps)
<b>Goldman Sachs Commodity Index:</b>	6043.58 (+282.69)
<b>Merrill Lynch High Yield Indices:</b>	
<b>BB, 7-10 Yr.</b>	7.01% (-14 bps)
<b>B, 7-10 Yr.</b>	8.16% (+03 bps)

Treasury prices rose for the week, sending yields to their lowest levels since early this year. Much of the news from the economy at the week pointed toward slower growth, fueling speculation that the next Fed rate change will be to ease rather than tighten rates. Treasury prices rose to open the week as stocks closed lower. Despite stronger-than-expected existing home sales, Treasuries rose Tuesday after a strong auction of two-year notes. Wednesday's release of the Fed's Beige Book showed moderate growth in most districts, pushing prices lower. Prices rose sharply Thursday as the Chicago PMI showed an unexpected decline in manufacturing in the region. When Friday's ISM manufacturing had contracted in November — contrary to the slight gain expected — yields hit their lowest levels since late January. Economic reports (and related consensus forecasts) for the coming week include: Tuesday: 3Q Final Nonfarm Productivity (0.4%) and Unit Labor Costs (3.4%), October Factory Orders (-4.0%), and November ISM Non-Manufacturing (55.5); Thursday: Initial Jobless Claims (323,000) and October Consumer Credit (\$4.1 billion); Friday: November Employment Report, including Change in Nonfarm Payrolls (100,000), Unemployment Rate (4.5%), Average Hourly Earnings (0.3%), and Average Weekly Hours (33.9) and December Preliminary University of Michigan Consumer Confidence (92.0).

*Source: Bloomberg and Barron's*