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Weekly Market Update

For the week ended January 19, 2007

US Stocks	
Weekly Index Performance	
DJIA:	12565.53 (+9.45, +0.1%)
S&P 500:	1430.50 (-0.23, -0.0%)
S&P MidCap:	816.49 (-3.94, -0.5%)
S&P SmallCap:	399.62 (-2.99, -0.7%)
Nasdaq Comp:	2451.31 (-51.51, -2.1%)
Russell 2000:	785.16 (-9.10, -1.2%)
Market Indicators	
Strong Sectors:	Energy, Health Care, REIT's, Railroads, Home Constr'n
Weak Sectors:	Technology, Financials, Industrials
NYSE Advance/Decline:	2,037 / 1,456
NYSE New Highs/New Lows:	527 / 37
AAII Bulls/Bears:	57.6% / 27.3%

US stocks were mixed for the holiday-shortened week as stronger than expected economic data, lower energy prices and generally strong corporate earnings were countered by technology sector earnings disappointments and renewed worries over inflation. Investors took shares of **Apple** 7.6% lower on flat growth in Mac shipments and lackluster guidance. **Intel** shares fell 5% on guidance for a decline in gross margins. **IBM**'s quarterly numbers were ahead of expectations but profit-taking led to a 2.5% weekly decline for IBM shares. Earlier in the week **Symantec** issued a profit warning, resulting in a 14.3% drop in its shares. Meanwhile, investors bought up energy stocks despite crude oil prices continuing their slide. **Schlumberger**'s quarterly report included a sharp rise in earnings. Elsewhere, **General Electric**'s results were robust but investors were unnerved by an announced earnings restatement. **Citigroup** beat earnings estimates and boosted its dividend. **Wells Fargo** matched estimates. **Merrill Lynch** reported record results, causing investors to worry about sustainability. REIT's got a lift from **Brookfield Asset Management**'s $1.35 billion buy of **Mills Corp.** **Abbott Laboratories** sold a health diagnostics unit to GE for $8.1 billion. Looking ahead, the coming week is rich in quarterly reports as earnings season kicks into high gear. The energy sector is likely to remain in focus with President Bush delivering a State of the Union address Tuesday. Overall, our favorable view of US equities comes from their attractive valuation relative to competing asset classes.

US Economy and Credit Markets	
Yields and Weekly Changes:	
3 Mo. T-Bill:	5.12% (+09 bps)
6 Mo. T-Bill:	5.15% (+07 bps)
2 Yr. T-Note:	4.91% (+16 bps)
3 Yr. T-Note:	4.83% (+16 bps)
5 Yr. T-Note:	4.77% (+13 bps)
10 Yr. T-Note:	4.77% (+13 bps)
30 Yr. T-Bond:	4.86% (+12 bps)
GNMA (30 Yr) 8% Coupon:	103-29/32 (6.80%)
Duration:	3.27 years
30 Year Insured Revs:	90.5% of 30 Yr. T-Bond
Bond Buyer 40 Yield:	4.61% (-02 bps)
Goldman Sachs Commodity Index:	5173.04 (+6.96)
Merrill Lynch High Yield Indices:	
BB, 7-10 Yr.	7.07% (-05 bps)
B, 7-10 Yr.	8.03% (-08 bps)

With the economy showing continuing signs of strength, the yield on the benchmark 10-year Treasury note rose near its highest level in three months as prices fell across the width of the yield curve for the week. December's industrial production exceeded consensus forecasts, and production of industrial equipment remains particularly strong, foreshadowing further growth. In addition, the University of Michigan consumer sentiment index rose to its highest mark since January 2004 and far exceeded economists' expectations. Meanwhile, the four-week average of first-time claims for unemployment benefits fell to their lowest level since October, although continuing claims were at their highest point in nearly a year. Another concern for the bond market is the continuing threat of inflation; both the consumer and producer price indexes rose more than expected in December—both the overall number and the core, which excludes food and energy. Higher inflation decreases the odds of a cut in interest rates by the Fed in the short term. Economic reports (and related consensus forecasts) for the coming week include: Monday: December Leading Indicators (0.2%); Thursday: Initial Jobless Claims (310,000), December Existing Home Sales (6.25 million); and Friday: December Durable Goods Orders (3.5%, less Transportation 0.5%) and December New Home Sales (1,052,000).

Source: Bloomberg and Barron's