

Weekly Market Update

For the week ended
December 29, 2006

US Stocks	
Weekly Index Performance	
DJIA:	12463.15 (+119.93,+1.0%)
S&P 500:	1418.30 (+7.54,+0.5%)
S&P MidCap:	804.37 (+2.21,+0.3%)
S&P SmallCap:	400.02 (+3.06,+0.8%)
Nasdaq Comp:	2415.29 (+14.11,+0.6%)
Russell 2000:	787.66 (+6.84,+0.9%)
Market Indicators	
Strong Sectors:	Telecom, Materials, Technology
Weak Sectors:	Industrials, Utilities, Consumer Staples
NYSE Advance/Decline:	2,623 / 917
NYSE New Highs/New Lows:	460 / 38
AAll Bulls/Bears:	46.0% / 36.0%

U.S. stocks posted a final week of gains to end a strong 2006 on an up note. Trading volumes were light and news flow slow on the holiday shortened week. Retailers fell early in the week on reports holiday sales will come in at the low end of expectations and short of last year's results. A larger than expected up tick in home sales brought hopes of stabilization in the homebuilding sector and higher prices for homebuilder's shares. **Apple** shares were volatile leading up the company's filing on Friday of restated results due to options backdating and the board's exoneration of CEO Steve Jobs in the matter. In merger news, **AT&T** completed its deal for **BellSouth** late Friday after agreeing to more concessions. For the year, the Dow Industrials, S&P 500, NASDAQ Comp and Russell 2000 posted total returns of 19.0%, 15.8%, 10.4 and 18.4%, respectively. Telecom and energy ended the year as the best performing sectors in the S&P 500, up 32% and 22%, respectively. Health care and technology, the second and third largest sector weights in the S&P 500, were the two worst performing sectors. They returned 6% and 8%, respectively. Looking ahead, the coming week brings several economic releases, including December FOMC minutes and the December jobs report, that are likely to impact equities. The following week fourth quarter earnings will start coming in and should provide more clarity on the outlook for 2007. In the meantime, equities continue to look attractive given the current valuations and economic conditions as we head into the new year.

US Economy and Credit Markets	
Yields and Weekly Changes:	
3 Mo. T-Bill:	5.00% (+03 bps)
6 Mo. T-Bill:	5.08% (+02 bps)
2 Yr. T-Note:	4.80% (+08 bps)
3 Yr. T-Note:	4.72% (+09 bps)
5 Yr. T-Note:	4.69% (+11 bps)
10 Yr. T-Note:	4.70% (+09 bps)
30 Yr. T-Bond:	4.81% (+06 bps)
GNMA (30 Yr) 8% Coupon:	103-29/32 (6.74%)
Duration:	3.14 years
30 Year Insured Revs:	89.4% of 30 Yr. T-Bond
Bond Buyer 40 Yield:	4.58% (-01 bps)
Goldman Sachs Commodity Index:	5631.41 (-103.00)
Merrill Lynch High Yield Indices:	
BB, 7-10 Yr.	7.00% (+01 bps)
B, 7-10 Yr.	8.05% (-01 bps)

Prices of Treasury securities closed the Christmas-shortened week in negative territory. The losing week extended losses for the month of December — the first losing December for Treasuries in five years — and for the year. A recent spate of strong data from the economy has caused speculation that the economy is rebounding after back-to-back quarters of decelerating growth. The more promising growth picture, in turn, decreased expectations for a Fed rate cut in 2007, which dented Treasury prices. Among the positive economic data was a stronger-than-expected increase in new home sales in November, as well as an increase in existing home sales in the face of a forecasted decline. In addition, the Chicago Purchasing Managers Index showed growth in excess of expectations. Economic reports (and related consensus forecasts) for the coming week include: Wednesday: December ISM Manufacturing (50.0, Prices Paid 54.0), Minutes of December 12 FOMC Meeting released, and December Total Vehicle Sales (16.5 million); Thursday: Initial Jobless Claims (320,000), November Factory Orders (1.3%), and December ISM Non-Manufacturing (57.2); and Friday: December Employment Report, including Change in Nonfarm Payrolls (115,000), Unemployment Rate (4.5%), Average Hourly Earnings (0.3%), and Average Weekly Hours (33.9).

Source: Bloomberg and Barron's