



Weekly Market Update

U.S. Stocks	
WEEKLY INDEX PERFORMANCE	
DJIA:	13895.63 (+75.44,+0.5%)
S&P 500:	1526.75 (+1.00,+0.1%)
S&P MidCap:	885.06 (+3.21,+0.4%)
S&P SmallCap:	423.43 (-4.51,-1.1%)
Nasdaq Comp:	2701.50 (+30.28,+1.1%)
Russell 2000:	805.45 (-7.66,-0.9 %)
MARKET INDICATORS	
Strong Sectors:	Technology, Consumer Staples, Materials
Weak Sectors:	Utilities, Consumer Discretionary, Energy
NYSE Advance/Decline:	1,930 / 1,567
NYSE New Highs/New Lows:	331 / 162
AAll Bulls/Bears:	49.4% / 34.2%

Most major U.S. stock averages extended recent gains last week pushing the current winning streak to three weeks. Despite the turmoil caused by sub-prime mortgages and the resulting lock up of the credit markets, equities turned in a solid 3rd quarter. The S&P 500, Dow Industrials and NASDAQ Comp returned 2.0%, 4.2% and 4.0%, respectively. The notable exception was the Russell 2000, which focuses on smaller cap companies. It returned -3.1% for the quarter as investors focused on larger companies and those with more international exposure. Tech shares led the market higher last week. **Microsoft** rose due to strong initial sales of Halo 3 on hopes it will boost Xbox sales. **EMC** was higher after receiving a couple of broker upgrades. **Google** and **Apple** both built on recent gains. **GM** shares finished the week strong after reaching a deal with the UAW that will shift health care obligations off of its books. **Bear Stearns** jumped mid-week on unsubstantiated rumors they are seeking to sell a minority stake in the firm. September consumer confidence fell to 99.8, a two year low. Retailers **Lowe's** and **Target** both warned of weaker quarterly results to come. In merger news, **3Com** agreed to go private in a transaction valued at \$2.2 billion. **Sallie Mae** announced its acquisition by private equity buyers could be in jeopardy. Looking ahead, earnings season is around the corner and investors will get a good look at the earnings and economic outlook for the remainder of the year. Results reported in the next couple of weeks will likely set the tone for the remainder of the year.

See next page for U.S. Economy and Credit Markets Information.

US Economy and Credit Markets	
YIELDS AND WEEKLY CHANGES:	
3 Mo. T-Bill:	3.79 (+04 bps)
6 Mo. T-Bill:	4.07 (-01 bps)
2 Yr. T-Note:	3.98 (-05 bps)
3 Yr. T-Note:	4.01 (-08 bps)
5 Yr. T-Note:	4.24 (-05 bps)
10 Yr. T-Note:	4.58 (-03 bps)
30 Yr. T-Bond:	4.83 (-05 bps)
GNMA (30 Yr) 8% Coupon:	103-27/32 (6.49%)
Duration:	3.05 years
30 Year Insured Revs:	94.8% of 30 Yr. T-Bond
Bond Buyer 40 Yield:	4.80% (-03 bps)
Crude Oil Futures:	81.39 (-0.23)
Gold Futures:	742.80 (+10.70)
Merrill Lynch High Yield Indices:	
BB, 7-10 Yr.	7.57% (-06 bps)
B, 7-10 Yr.	8.56% (-02 bps)

Treasury yields rose for the second straight week, with the largest increases at the long end of the yield curve. The biggest news of the week was the 50 bps cut in its target rate by the Fed, a response, it stated, to the tightening of credit conditions, which "has the potential to intensify the housing correction and to restrain economic growth more generally." While acknowledging that inflation risks remain, the committee determined that the need to "forestall some of the adverse effects on the broader economy" outweighed those risks, which they will continue to monitor. With the drop in the target rate, the fear of inflation was a driving factor in the decline in bond prices, especially those with longer maturities. Economic reports (and related consensus forecasts) for the coming week include: Tuesday: August Existing Home Sales (5.49 million); Wednesday: August Durable Goods Orders (-3.4%, less Transportation -0.8%); Thursday: 2Q Final GDP (3.9%, Price Index 2.7%), Initial Jobless Claims (316,000), and August New Home Sales (830,000); Friday: August Personal Income (0.4%) and Personal Spending (0.4%), September Chicago Purchasing Manager Index (53.0), and September Final U of Michigan Consumer Confidence (84.0).

Source: Bloomberg and Barron's