

For The Week Ended October 12, 2007
Weekly Market Commentary & Developments

US Economy and Credit Markets:
Yields and Weekly Changes:

3 Mo. T-Bill	4.18 (+21 bps)	GNMA (30 Yr) 8% Coupon: 104-24/32 (6.16%)
6 Mo. T-Bill	4.28 (+09 bps)	Duration: 3.17 years
2 Yr. T-Note	4.21 (+14 bps)	30-Year Insured Revs: 94.3% of 30 Yr. T-Bond
3 Yr. T-Note	4.22 (+11 bps)	Bond Buyer 40 Yield: 4.78% (unch.)
5 Yr. T-Note	4.41 (+08 bps)	Crude Oil Futures: 83.69 (+2.47)
10 Yr. T-Note	4.68 (+05 bps)	Gold Futures: 748.70 (+7.40)
30 Yr. T-Bond	4.89 (+03 bps)	Merrill Lynch High Yield Indices:
		BB, 7-10 Yr. 7.45% (-07 bps)
		B, 7-10 Yr. 8.43% (-08 bps)

Treasury prices fell for the week as the news from the economy was mostly negative for the fixed income market. Prices fell Tuesday in the first day of trading following the bond market's Monday observance of Columbus Day, then rebounded on Wednesday as stocks fell on some negative earnings news. Prices rose again Thursday despite a decrease in first-time unemployment claims and a declining trade deficit, both of which would seem to indicate strength in the economy. Prices declined Friday to close the week, as retail sales showed a 0.6% increase in September, well above the consensus forecast of 0.3%. An additional factor that influenced Treasuries to the downside Friday was the September PPI report, which showed producer prices up 1.1% for the month, although the "core" figure, which excludes food and energy was up a less-than-expected 0.1%. Economic reports (and related consensus forecasts) for the coming week include: Tuesday: September Industrial Production (0.1%) and Capacity Utilization (82.1%); Wednesday: September Consumer Price Index (0.2%, less Food & Energy 0.2%), September Housing Starts (1,283,000), and Fed's Beige Book released; and Thursday: Initial Jobless Claims (313,000), September Leading Indicators (0.3%), and October Philadelphia Fed report (7.0).

US Stocks:
Weekly Index Performance

DJIA	14093.08 (+27.07,+0.2%)
S&P 500	1561.80 (+4.21,+0.3%)
S&P MidCap	912.38 (-1.53,-0.2%)
S&P Small Cap	438.68 (-3.66,-0.8%)
NASDAQ Comp	2805.68 (+25.36,+0.9%)
Russell 2000	841.17 (-3.71,-0.4%)

Market Indicators

Strong Sectors: Energy, Technology, Utilities
Weak Sectors: Financials, Industrials, Consumer Discretionary
NYSE Advance/Decline: 1,833 / 1,677
NYSE New Highs/New Lows: 514 / 78
AAII Bulls/Bears: 54.6% / 25.8%

Large cap stocks extended their winning streak to five weeks while smaller cap issues finished modestly lower in a week of mixed news. The Dow Industrials and S&P 500 both hit new highs Tuesday after the Fed minutes showed unanimous support for the rate cut at the last meeting. Data on the consumer gave no clear answers as September retail sales came in ahead of forecasts but University of Michigan consumer sentiment fell to its lowest level in over a year. **Wal-Mart** and **Costco** both gained on positive news while **Target**, **Nordstrom** and apparel retailers in general turned in disappointing September sales. Oil rose to a new all-time high above \$84 before ending the week at \$83.69. The energy sector was the best performing sector for the week. **Alcoa** kicked off earnings season with results that trailed expectations. Strong international sales propelled **Yum! Brands** to better than expected results. **McDonald's** also reported strong earnings. **GE** reported in-line results but shares fell on margin concerns. **Google** passed \$600 for the first time. **Boeing's** shares fell after the company delayed delivery of the 787 Dreamliner by six months due to parts shortages. In merger news, **Oracle** made an unsolicited \$6.7 billion bid for **BEA Systems** while **SAP** agreed to acquire **Business Objects** for \$6.8 billion. Looking ahead, earnings season kicks into high gear this week with over eighty S&P 500 companies reporting. Moderating earnings expectations over the course of the quarter has set the bar fairly low which could set the stage for further gains should earnings growth prove resilient.