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For The Week Ended October 26, 2007
Weekly Market Commentary & Developments

US Economy and Credit Markets:

Yields and Weekly Changes:

3 Mo. T-Bill	3.94 (+12 bps)	**GNMA (30 Yr) 8% Coupon:** 104-23/32 (6.18%)	
6 Mo. T-Bill	4.03 (-02 bps)	**Duration:** 3.01 years	
2 Yr. T-Note	3.77 (+01 bps)	**30-Year Insured Revs**: 95.7% of 30 Yr. T-Bond	
3 Yr. T-Note	3.76 (-01 bps)	**Bond Buyer 40 Yield**: 4.77% (+04 bps)	
5 Yr. T-Note	4.04 (+04 bps)	**Crude Oil Futures**: 91.86 (+3.26)	
10 Yr. T-Note	4.39 (+02 bps)	**Gold Futures**: 783.90 (+19.90)	
30 Yr. T-Bond	4.69 (+02 bps)	**Merrill Lynch High Yield Indices:**	
		BB, 7-10 Yr.	7.51% (unch.)
		B, 7-10 Yr.	8.64% (+01 bps)

As the market awaits Wednesday's meeting of the FOMC, Treasury prices were mixed for the week, ending little changed from their prices at the open of the week's trading. With the credit crunch continuing to loom over the market, Fed funds futures imply a 94% chance of a 25 bps cut in the target rate when the committee meets this week, and a 6% chance that the Fed matches the half-point cut made in September. Data from the housing market was mixed for the week, with existing home sales falling much further than expected, while new home sales rose unexpectedly (although August figures were adjusted substantially lower). Economic reports (and related consensus forecasts) for the coming week include: Wednesday: 3Q Advance GDP (3.1%, Price Index 2.0%), October Chicago Purchasing Manager Index (53.0), and FOMC Rate Decision Expected (4.50%); Thursday: September Personal Income (0.4%) and Personal Spending (0.4%), Initial Jobless Claims (325,000), October ISM Manufacturing (51.5, Prices Paid 63.0), and October Total Vehicle Sales (16.0 million); and Friday: October Employment Report, including Change in Nonfarm Payrolls (80,000), Unemployment Rate (4.7%), Average Hourly Earnings (0.3%), and Average Weekly Hours (33.8), and September Factory Orders (-0.5%).

US Stocks:

Weekly Index Performance

DJIA	13806.70 (+284.68,+2.1%)
S&P 500	1535.28 (+34.65,+2.3%)
S&P MidCap	895.29 (+16.22,+1.8%)
S&P Small Cap	428.03 (+12.55,+3.0%)
NASDAQ Comp	2804.19 (+79.03,+2.9%)
Russell 2000	821.39 (+22.60,+2.8 %)

Market Indicators

Strong Sectors: Utilities, Materials, Technology
Weak Sectors: Telecomm, Industrials, Consumer Discretionary
NYSE Advance/Decline: 2,277 / 1,234
NYSE New Highs/New Lows: 337 / 294
AAII Bulls/Bears: 31.3% / 48.2%

US stocks regained their footing as generally strong earnings from the tech sector and rising expectations of a Fed rate cut overcame further deterioration in the housing sector and fresh worries about the extent of credit market losses. **Apple** shares jumped as strength across all business lines produced earnings well ahead of expectations. **Microsoft** shares surged on strong revenue and earnings gains, an increased forecast for the year and a minority stake in **Facebook**. **Motorola** surprised with a positive outlook. **Research in Motion** gained on plans to enter the Chinese market. **Amazon** fell despite in-line earnings on concerns about shrinking margins. **Texas Instruments** fell after several downgrades due to a forecast for lower 4Q revenues. Defense related earnings were generally strong, led by **Northrop Grumman** and **Lockheed Martin**. **Comcast** disappointed with weak internet and phone subscriber adds and a warning of increased competition. **Merrill Lynch** shares fell hard Thursday after reporting a much larger than expected loss due to loan write-downs putting the CEO's job in jeopardy. **American Express** reported strong earnings. **Countrywide Financial** shares surged Friday, after losses earlier in the week, on forecasts for a return to profitability next year. In pharmaceuticals, **Merck** and **Bristol-Myers** gained on strong results while **Schering**-**Plough** fell on disappointing revenues. Oil hit an all-time high above $92/bbl before ending the week at $91.86. Looking ahead, the Fed's decision on interest rates will determine market action in the near term. If investors sense the Fed is ahead of the curve in containing the housing and credit market fallout, equities are likely to add to the year's gains as equity valuations are modest.