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For The Week Ended December 7, 2007

Weekly Market Commentary & Developments

US Economy and Credit Markets:

Yields and Weekly Changes:

3 Mo. T-Bill	3.07 (-07 bps)	**GNMA (30 Yr) 8% Coupon:**	104-27/32 (5.96%)
6 Mo. T-Bill	3.25 (-09 bps)	**Duration:**	2.91 years
2 Yr. T-Note	3.10 (+09 bps)	**30-Year Insured Revs**	99.6% of 30 Yr. T-Bond
5 Yr. T-Note	3.49 (+11 bps)	**Bond Buyer 40 Yield**	4.84% (+05 bps)
10 Yr. T-Note	4.10 (+16 bps)	**Crude Oil Futures**	88.28 (-0.43)
30 Yr. T-Bond	4.56 (+18 bps)	**Gold Futures**	794.40 (+12.20)
		Merrill Lynch High Yield Indices:	
		BB, 7-10 Yr.	7.84% (-03 bps)
		B, 7-10 Yr.	9.23% (-02 bps)

The five-week winning streak for Treasuries came to a halt, with losses fueled in part by a stronger-than-expected employment report for November. The Department of Labor report showed that payrolls grew by 94,000 compared to forecasts of an increase of 80,000; revisions for September and October totaled a decline of 48,000. The unemployment rate held at 4.7%. After rising Monday, prices declined in each of the remaining trading sessions, as news from the economy was mostly positive. Manufacturing slightly exceeded forecasts, and the increase in productivity surpassed expectations. While still showing growth, the service sector's expansion was below forecasted levels. The Fed is expected to cut its target rate when it meets Tuesday, with expectations and opinion split between a 25 bps and 50 bps cut. Economic reports (and related consensus forecasts) for the coming week include: Tuesday: October Wholesale Inventories (0.5%) and FOMC Rate Decision Expected (4.25%); Wednesday: October Trade Balance (-$57.3 billion), November Import Price Index (2.0%), November Budget Statement (-$86.0 billion); Thursday: November Producer Price Index (1.5%, less Food & Energy 0.2%), November Advance Retail Sales (0.6%, less Autos 0.6%), Initial Jobless Claims (335,000), and October Business Inventories (0.3%); and Friday: November Consumer Price Index (0.6%, less Food & Energy 0.2%) and November Industrial Production (0.1%) Capacity Utilization (81.7%).

US Stocks:

Weekly Index Performance

DJIA	13625.58 (+253.86,+1.9%)
S&P 500	1504.66 (+23.52,+1.6%)
S&P MidCap	885.52 (+24.78,+2.9%)
S&P Small Cap	407.74 (+8.97,+2.2%)
NASDAQ Comp	2706.16 (+45.20,+1.7%)
Russell 2000	785.52 (+17.75,+2.3 %)

Market Indicators

Strong Sectors: Energy, Materials, Utilities
Weak Sectors: Consumer Discretionary, Financials, Health Care
NYSE Advance/Decline: 2,522 / 1,017
NYSE New Highs/New Lows: 197 / 242
AAII Bulls/Bears: 40.7% / 39.8%

U.S. stocks gained for a second consecutive week on hopes further Fed rate cuts will help the economy regain its footing and contain the damage from the sub-prime space. Financial shares continued to weigh on the broader market as several brokers downgraded names in the sector. President Bush announced a plan to help rescue sub-prime borrowers from rising rates by extending the period before their loans reset to higher rates. The New York Attorney General's office announced they are looking into the role Wall Street played in the sub-prime debacle. In retail, **Wal-Mart** and **Gap** reported strong November same-store sales while **Target** disappointed. **Fannie Mae** announced intentions to raise $7 billion in capital to shore up its finances and slashed its dividend 30%. **Genentech** shares fell after an FDA advisory panel voted against expanding the label for Avastin to include breast cancer. **Intel** gained on positive broker comments. **Comcast** shares fell 11% after the cable provider lowered 2007 revenue forecasts due to economic and competitive pressures. **Toll Brothers** announced its first quarterly loss in over 20 years as the housing sector continues to struggle. Oil prices ended the week little changed ($88.28/bbl) despite OPEC's decision to hold output steady. Looking ahead, all eyes will be on the Fed meeting this week. Another rate cut is widely expected although the amount (25 or 50 bps) is still debatable. With recent data pointing to slowing economic activity, confidence that the Fed has their finger on the pulse of the economy will go a long way toward determining if equities can extend their recent gains into the end of the year.