

For The Week Ended December 21, 2007
Weekly Market Commentary & Developments

US Economy and Credit Markets:
Yields and Weekly Changes:

3 Mo. T-Bill	2.96 (+10 bps)	GNMA (30 Yr) 8% Coupon: 104-23/32 (6.07%)
6 Mo. T-Bill	3.32 (+07 bps)	Duration: 3.20 years
2 Yr. T-Note	3.19 (-11 bps)	30-Year Insured Revs: 100.0% of 30 Yr. T-Bond
5 Yr. T-Note	3.59 (-04 bps)	Bond Buyer 40 Yield: 4.86% (+01 bps)
10 Yr. T-Note	4.17 (-06 bps)	Crude Oil Futures: 93.37 (+1.92)
30 Yr. T-Bond	4.57 (-08 bps)	Gold Futures: 811.60 (+17.70)
		Merrill Lynch High Yield Indices:
		BB, 7-10 Yr. 7.89% (+03 bps)
		B, 7-10 Yr. 9.23% (+01 bps)

Treasury prices rose for the week as subprime lending issues continue to pervade the market. The gains had been stronger before a decline Friday, when the Fed announced that it would continue special auctions in order to increase liquidity in the market, noting that the auctions will continue as long as necessary to alleviate pressure in short-term markets. The European Central Bank and the Bank of England took similar actions to ease pressures in those markets. The benchmark 10-Year Treasury showed gains in every trading session for the week prior to Friday's drop. One of the major factors weighing on the market was S&P lowering the outlook for bond insurers MBIA and Ambac to negative. If the bond insurers were to have their ratings lowered below their current AAA level, borrowing costs would increase. Also contributing to the decline in Treasury prices Friday was the strong growth in personal income and consumption in November, which also helped boost the stock markets. Economic reports (and related consensus forecasts) for the coming week include: Thursday: November Durable Goods Orders (2.0%, Ex Transportation 0.5%) and Initial Jobless Claims (340,000); and Friday: December Chicago Purchasing Manager Index (51.8) and November New Home Sales (718,000).

US Stocks:
Weekly Index Performance

DJIA	13450.65 (+110.80,+0.8%)
S&P 500	1484.46 (+16.51,+1.1%)
S&P MidCap	869.54(+14.33,+1.7%)
S&P Small Cap	404.35 (+14.02,+3.6%)
NASDAQ Comp	2691.99 (+56.25,+2.1%)
Russell 2000	785.60 (+31.67,+4.2%)

Market Indicators

Strong Sectors: Energy, Materials, Technology
Weak Sectors: Consumer Discretionary, Consumer Staples, Telecom
NYSE Advance/Decline: 1,801 / 1,753
NYSE New Highs/New Lows: 129 / 748
AAII Bulls/Bears: 35.9% / 47.2%

US stocks rose last week with gains across all major sectors and small caps outperforming large caps. **Morgan Stanley** announced a \$3.6 billion loss in the 4th quarter, its first quarterly loss since going public, and that state-owned China Investment Corp. will invest \$5 billion for a 9.9% share. **Bear Stearns** had a quarterly loss of \$854 million, the first quarterly loss in its history. Meanwhile, **Goldman Sachs** posted profits of \$3.22 billion for the quarter, largely sidestepping the mortgage mess. Shares of **Sallie Mae** plunged after a disastrous conference call. **Research in Motion** shares advanced sharply after announcing their quarterly results as BlackBerry devices begin to get traction in the consumer markets. **Ingersoll-Rand** agreed to buy **Trane**, a manufacturer of heating and air-conditioning systems, for \$10.1 billion. US equity markets will close early on Christmas Eve at 1 pm Eastern, and will be closed on Christmas. With a lack of economic and earnings news during the holiday week, investors will look to extend the Santa Claus rally for another week.