



## For The Week Ended December 28, 2007 Weekly Market Commentary & Developments

### US Economy and Credit Markets:

#### Yields and Weekly Changes:

<b>3 Mo. T-Bill</b>	3.14 (+18 bps)	<b>GNMA (30 Yr) 8% Coupon:</b> 104-22/32 (6.09%)
<b>6 Mo. T-Bill</b>	3.42 (+10 bps)	<b>Duration:</b> 3.31 years
<b>2 Yr. T-Note</b>	3.09 (-10 bps)	<b>30-Year Insured Revs:</b> 102.7% of 30 Yr. T-Bond
<b>5 Yr. T-Note</b>	3.49 (-10 bps)	<b>Bond Buyer 40 Yield:</b> 4.86% (unch.)
<b>10 Yr. T-Note</b>	4.07 (-10 bps)	<b>Crude Oil Futures:</b> 96.02 (+2.65)
<b>30 Yr. T-Bond</b>	4.49 (-08 bps)	<b>Gold Futures:</b> 842.70 (+31.10)
		<b>Merrill Lynch High Yield Indices:</b>
		<b>BB, 7-10 Yr.</b> 7.87% (-02 bps)
		<b>B, 7-10 Yr.</b> 9.22% (-01 bps)

The flight to the safety and quality of Treasuries helped push prices upward for the second consecutive week, leaving them on the brink of their best one-year performance since 2002. Following the assassination of former Pakistani prime minister in a suicide bombing at a political rally, fear of increased unrest in Pakistan caused many to seek the safety of U.S. government debt. In addition, a 0.7% decline in durable goods orders (excluding transportation), while forecasts had seen a 0.5% increase, led some to believe growth will continue to be slow. Also, new home sales fell to their lowest level since 1995, again leading buyers to the safety of Treasuries. Economic reports (and related consensus forecasts) for the coming week include: Monday: November Existing Home Sales (4.97 million); Wednesday: December ISM Manufacturing (50.5, Prices Paid 65.0); Thursday: Initial Jobless Claims (345,000), December Factory Orders (0.5%), December Total Vehicle Sales (16.0 million); and Friday: December Employment Report, including Change in Nonfarm Payrolls (70,000), Unemployment Rate (4.8%), Average Hourly Earnings (0.3%), and Average Weekly Hours (33.8), and ISM Non-Manufacturing (53.5).

### US Stocks:

#### Weekly Index Performance

<b>DJIA</b>	13365.87 (-84.78,-0.6%)
<b>S&amp;P 500</b>	1478.49 (-5.97,-0.4%)
<b>S&amp;P MidCap</b>	863.13 (-6.41,-0.7%)
<b>S&amp;P Small Cap</b>	398.01 (-6.34,-1.6%)
<b>NASDAQ Comp</b>	2674.46 (-17.53,-0.7%)
<b>Russell 2000</b>	771.76 (-13.84,-1.8%)

#### Market Indicators

<b>Strong Sectors:</b> Energy, Mining & Metals, Telecom Svcs., Transports
<b>Weak Sectors:</b> Financials, Housing, Health Care
<b>NYSE Advance/Decline:</b> 1,698 / 1,836
<b>NYSE New Highs/New Lows:</b> 168 / 365
<b>AAII Bulls/Bears:</b> 30.0% / 50.0%

US stocks fell as investors took profits on the heels of more downbeat economic news and a politically-motivated assassination in Pakistan. The holiday-shortened week's significant data points included a weaker-than-expected reading on durable goods orders, a sharp drop in new-home sales and a record decline in existing home prices. The data consigned the Financials and homebuilders to another week of losses, while the assassination of Benazir Bhutto in Pakistan sent traders head-long into crude oil, gold and related equities. A sell-side analyst increased estimates for fourth-quarter write-downs at **Citigroup**, **JPMorganChase** and **Merrill Lynch**. Merrill's shares fell more than the others as it announced a \$6.2 billion capital raise. Municipal bond insurers including **MBIA** and **Ambac** were hit by news **Berkshire Hathaway** is looking to start a competitor. Holiday retail results fell short of forecast by one measure. **Target** warned of a decline in same-store sales for December, though **Amazon** said the season was its best ever. **Apple** shares crossed the \$200 mark for the first time. With only a single trading session left in 2007 stocks are sure to have logged a fifth straight year of gains, although this year's came at the expense of considerable volatility. Financial and housing-related sectors bear the scars of a deepening residential real estate slump and a still yet-to-be-unwound credit market squeeze. Still, they appear to be closer to a bottom than a top. Following a likely-to-be-quiet New Year's Eve session Monday and New Year's holiday Tuesday, investors will turn attention to Friday's monthly employment report for clues as to whether the economy can avoid recession and support a return to growth for corporate profits.

