

### Weekly Market Update

For the week ended  
February 9, 2007

US Stocks	
Weekly Index Performance	
DJIA:	12580.83 (-72.66,-0.6%)
S&P 500:	1438.06 (-10.33,-0.7%)
S&P MidCap:	845.03 (+2.13,+0.3%)
S&P SmallCap:	411.58 (-2.04,-0.5%)
Nasdaq Comp:	2459.82 (-16.06,-0.6%)
Russell 2000:	807.11 (-2.31,-0.3%)
Market Indicators	
Strong Sectors:	Utilities, Materials
Weak Sectors:	Telecom, Industrials, Consumer Staples
NYSE Advance/Decline:	1,683 / 1.834
NYSE New Highs/New Lows:	822 / 31
AAll Bulls/Bears:	46.2% / 30.0%

U.S. stocks finished the week lower as equity markets were dragged down by talk of inflation and fears of deteriorating credit quality in the banking sector. The S&P 500 had its worst weekly performance in almost two months. Stocks were flat through mid-week when several Fed officials remarked that inflation remains a concern going forward. Financials shares, especially sub-prime lenders, came under pressure late in the week following announcements from **HSBC** and **New Century** that write-offs for non-performing home loans will be much higher than expected. Gold rose almost 3% to \$666.85/oz, a nine month high. Retailers reported stronger than expected January same-store-sales, led by **Wal-Mart**, **Target** and **JC Penney**, thanks to gift card redemptions. **Toll Brothers** sent homebuilder shares tumbling after announcing Q1 orders plunged and a larger than expected land write-down. **Cisco** reported quarterly results above expectations and raised revenue and EPS forecasts for the year. **MasterCard** reported solid quarterly results, yet the shares fell due to concerns about shrinking margins. **Disney** handily beat EPS estimates due to strong results in the studio division. **News Corp.** and **DirectTV** also reported solid earnings results. In merger activity, **Lear** agreed to be acquired for \$2.8B by a Carl Icahn controlled entity. In addition, **Triad Hospitals** will be taken private in a deal valued at \$4.7B and **State Street** agreed to acquire **Investors Financial** for \$4.5B. Looking ahead, with earnings season winding down and the economic calendar fairly light investors should get a chance to step back and evaluate the current market landscape. Reasonable valuations and an economy that continues to show steady growth result in a market with attractive risk/reward characteristics at the present time.

<b>US Economy and Credit Markets</b>	
<b>Yields and Weekly Changes:</b>	
<b>3 Mo. T-Bill:</b>	5.14% (+01 bps)
<b>6 Mo. T-Bill:</b>	5.14% (unch.)
<b>2 Yr. T-Note:</b>	4.89% (-04 bps)
<b>3 Yr. T-Note:</b>	4.80% (-06 bps)
<b>5 Yr. T-Note:</b>	4.77% (-04 bps)
<b>10 Yr. T-Note:</b>	4.78% (-04 bps)
<b>30 Yr. T-Bond:</b>	4.86% (-06 bps)
<b>GNMA (30 Yr) 8% Coupon:</b>	103-27/32 (6.82%)
<b>Duration:</b>	3.27 years
<b>30 Year Insured Revs:</b>	90.5% of 30 Yr. T-Bond
<b>Bond Buyer 40 Yield:</b>	4.61% (-035 bps)
<b>Goldman Sachs Commodity Index:</b>	5594.50 (+73.03)
<b>Merrill Lynch High Yield Indices:</b>	
<b>BB, 7-10 Yr.</b>	6.98% (-09 bps)
<b>B, 7-10 Yr.</b>	7.94% (-09 bps)

Prices for Treasuries fell for the third straight week and the sixth time in the last two months. Yields did come down from their intraweek highs, which saw the benchmark 10-year note reach its highest level since mid-August. The yield on the 10-year topped out during the week at 50 basis points above what it was on December 1, a move that has lowered prices by almost four percent in that time. The consensus view is that the Fed will not change its target rate when it meets this week, and the interest-rate futures market currently sees only a 10% chance of a rate cut in the first half of the year. Economic reports (and related consensus forecasts) for the coming week include: Wednesday: 4Q Actual GDP Annualized (3.0%, Price Index 1.5%), January Chicago Purchasing Manager (52.0), and FOMC Rate Decision Expected (5.25%); Thursday: December Personal Income (0.5%) and Personal Spending (0.7%), and Initial Jobless Claims (315,000), January ISM Manufacturing (51.6, Prices Paid 47.0), and January Total Vehicle Sales (16.7 million); Friday: January Employment Report, including Change in Nonfarm Payrolls (140,000), Unemployment Rate (4.5%), Average Hourly Earnings (0.3%), and Average Weekly Hours (33.9), December Factory Orders (1.8%) and January Final U of Michigan Confidence (97.5).

**Source: Bloomberg and Barron's**