

Weekly Market Update

For the week ended
February 2, 2007

US Stocks	
Weekly Index Performance	
DJIA:	12653.49 (+166.47, +1.3%)
S&P 500:	1448.39 (+26.21, +1.8%)
S&P MidCap:	842.90 (+23.62, +2.9%)
S&P SmallCap:	413.62 (+12.41, +3.1%)
Nasdaq Comp:	2475.88 (+40.39, +1.7%)
Russell 2000:	809.41 (+21.27, +2.7%)
Market Indicators	
Strong Sectors:	Energy, Industrials, Home Construction, Steel
Weak Sectors:	Technology, Financials, Autos
NYSE Advance/Decline:	2,848 / 687
NYSE New Highs/New Lows:	688 / 34
AAll Bulls/Bears:	46.3% / 30.5%

US stocks advanced during a week that featured a heavy dose of corporate earnings, a wave of economic data, and also a regularly scheduled decision on interest rates by the Federal Reserve. Investors gained conviction to buy late Wednesday after the Fed made no change to rates and noted recent evidence pointed to firmer economic growth and moderating inflation. Friday's weaker than expected employment report gave an early boost to stocks, but a rise in crude oil prices capped the advance. Crude prices finished the week up 6.5% to \$59.02/bbl. Still, the S&P 500 logged its best week in six months, led by energy and economically-sensitive shares. **ExxonMobil** recorded the largest annual profit on record for 2006. **Boeing** shares rose as the company reported sharply higher profits and boosted its outlook. **3M** fell short of expectations and gave lukewarm guidance. Technology issues trailed. **Google's** report left investors wanting more despite coming in ahead of expectations. **Dell's** founder nudged aside CEO Rollins to take the reins once again. **Motorola** shares rose on news it is in the sights of investor Carl Icahn. **Microsoft** shares were largely unchanged as consumer versions of Vista came to market. **Altria** announced March 30th as the date for the long-awaited spinoff of **Kraft**. **Merrill Lynch** agreed to buy **First Republic Bank** for \$1.8 billion. The coming week won't be as rich in earnings reports and economic data, but several speeches by Fed officials are on the docket. With the Fed seemingly on indefinite hold with respect to interest rates and lots of potential mergers and buyout activity bubbling under the surface of the market, stocks could be primed to move higher in the near term.

US Economy and Credit Markets	
Yields and Weekly Changes:	
3 Mo. T-Bill:	5.13% (+01 bps)
6 Mo. T-Bill:	5.14% (-02 bps)
2 Yr. T-Note:	4.93% (-03 bps)
3 Yr. T-Note:	4.86% (-05 bps)
5 Yr. T-Note:	4.81% (-05 bps)
10 Yr. T-Note:	4.82% (-05 bps)
30 Yr. T-Bond:	4.92% (-05 bps)
GNMA (30 Yr) 8% Coupon:	103-27/32 (6.83%)
Duration:	3.29 years
30 Year Insured Revs:	89.6% of 30 Yr. T-Bond
Bond Buyer 40 Yield:	4.64% (-03 bps)
Goldman Sachs Commodity Index:	5521.47 (+192.53)
Merrill Lynch High Yield Indices:	
BB, 7-10 Yr.	7.07% (-02 bps)
B, 7-10 Yr.	8.03% (+05 bps)

Treasuries experienced a winning week for just the second time in the new year as the Fed left its target rate unchanged for the sixth straight meeting. The FOMC said that inflation has improved somewhat in recent months and that inflation pressures “seem likely to moderate over time;” however, it also noted that resource utilization remains high, which could sustain the pressure of inflation. Early week trading was light as the Fed decision approached. Other news affecting Treasury prices included GDP growth of 3.5%, exceeding the consensus forecast of 3.0%, which dented prices in early Wednesday trading. On the other side of the ledger, the ISM manufacturing index declined to 49.3% in January, down from December’s 51.4% and well below the expected 52.0%. Prices rose Friday when the January employment report showed only 111,000 jobs were added, well short of the forecasted 178,000; the unemployment rate rose to 4.6%. That news was mitigated somewhat, however, by upward revisions for past reports totaling 104,000 jobs. Economic reports (and related consensus forecasts) for the coming week include: Monday: January ISM Non-Manufacturing (57.0); Wednesday: 4Q Preliminary Nonfarm Productivity (1.9%) and Unit Labor Costs (2.3%) and December Consumer Credit (\$6.0 billion); Thursday: Initial Jobless Claims (310,000) and December Wholesale Inventories (0.6%).

Source: Bloomberg and Barron's