

Weekly Market Update

For the week ended
March 9, 2007

US Stocks	
Weekly Index Performance	
DJIA:	12276.32 (+162.22, +1.3%)
S&P 500:	1402.85 (+15.68, +1.1%)
S&P MidCap:	832.84 (+9.15, +1.1%)
S&P SmallCap:	402.14 (+5.08, +1.3%)
Nasdaq Comp:	2387.55 (+19.55, +0.8%)
Russell 2000:	785.12 (+9.68, +1.3%)
Market Indicators	
Strong Sectors:	Energy, Materials, Semiconductors, Telecom Eqpt.
Weak Sectors:	Utilities, Financials, Biotech, Software, Telecom Svcs.
NYSE Advance/Decline:	2,327 / 1,207
NYSE New Highs/New Lows:	178 / 129
AAll Bulls/Bears:	35.8% / 44.9%

US stocks regained some lost ground as overseas markets stabilized following the prior week's rout. Investors took comfort in some soothing words on the economy from Treasury Secretary Paulson, and they weren't discouraged by the balance of economic data indicating weakness. Friday's February employment report allayed any lingering concerns by revealing solid additions to payrolls and a dip in the unemployment rate. Still, the week's trading was volatile and the DJIA spent time in positive and negative territory each day. Cyclical shares returned to the winner's circle, rising in tandem with emerging markets. **Nucor** noted improving conditions in its steel markets. Subprime mortgage troubles captured headlines, weighing on financial shares. **New Century Financial** was rumored to be close to bankruptcy. Retail same-store sales results for February were soft overall, especially so at **Wal-Mart** and **Federated**. **Target** and **Saks** reported strong trends. Energy shares advanced despite crude oil declining 2.6% on the week. **National Semiconductor** gave chip stocks a boost, saying recent order trends were solid. Shares of **Amgen** moved lower after the FDA approved a new warning label for anemia treatment Aranesp. **Yahoo!** shares fell on speculation **AT&T** may move to end a partnership. **Take Two Interactive** shares rose on moves by activist hedge fund investors. **Citigroup** bid \$10.8 billion for Japan's **Nikko Cordial**. Looking ahead, the key events for investors and traders in the coming week are likely to be quarterly reports from several investment banks, as well as readings on consumer and producer prices. Reassuring commentary from the i-banks on mortgages could help investors mount a new assault on February's market highs.

US Economy and Credit Markets	
Yields and Weekly Changes:	
3 Mo. T-Bill:	5.08% (-02 bps)
6 Mo. T-Bill:	5.12% (+07 bps.)
2 Yr. T-Note:	4.65% (+12 bps)
3 Yr. T-Note:	4.58% (+12 bps)
5 Yr. T-Note:	4.54% (+11 bps)
10 Yr. T-Note:	4.58% (+08 bps)
30 Yr. T-Bond:	4.71% (+07 bps)
GNMA (30 Yr) 8% Coupon:	103-27/32 (6.78%)
Duration:	3.18 years
30 Year Insured Revs:	91.1% of 30 Yr. T-Bond
Bond Buyer 40 Yield:	4.55% (+04 bps)
Goldman Sachs Commodity Index:	5624.92 (-74.81)
Merrill Lynch High Yield Indices:	
BB, 7-10 Yr.	6.93% (-02 bps)
B, 7-10 Yr.	7.91% (-09 bps)

Treasuries showed their first weekly decline in price since late January, capping the week with the largest one-day drop of the year. The catalyst for Friday's weakening was a stronger-than-expected employment report, which decreases the likelihood of a Fed rate increase before the middle of the year. Prices opened the week with a loss, as stock prices stabilized after sharp declines the week prior, a pattern which continued into Tuesday. Wednesday saw a rebound in prices as the Fed's Beige Book showed signs of a slowdown in several regions of the country. Another rally in equities pushed Treasury prices lower on Thursday, before the week closed with Friday's sell-off. Economic reports (and related consensus forecasts) for the coming week include: Monday: February Monthly Budget Statement (-\$121.0 billion); Tuesday: February Advance Retail Sales (0.3%, less autos 0.3%) and January Business Inventories (0.1%); Wednesday: 4Q Current Account Balance (-\$203.0 billion) and February Import Price Index (0.8%); Thursday: February Producer Price Index (0.5%, less food and energy 0.2%), Initial Jobless Claims (325,000), and March Philadelphia Fed report (4.0); and Friday: February Consumer Price Index (0.3%, less food & energy 0.2%), February Industrial Production (0.3%) and Capacity Utilization (81.3%), and March preliminary U of Michigan Confidence (89.7).

Source: Bloomberg and Barron's