

### Weekly Market Update

For the week ended  
March 2, 2007

US Stocks	
Weekly Index Performance	
DJIA:	12114.10 (-533.38, -4.2%)
S&P 500:	1387.17 (-64.02, -4.4%)
S&P MidCap:	823.69 (-43.87, -5.1%)
S&P SmallCap:	397.06 (-24.41, -5.8%)
Nasdaq Comp:	2368.00 (-147.10, -5.9%)
Russell 2000:	775.44 (-51.20, -6.2%)
Market Indicators	
Strong Sectors:	Utilities, Telecom, Consumer Goods, Insurance, Drugs
Weak Sectors:	Technology, Materials, Transports, Investment Svcs.
NYSE Advance/Decline:	826 / 2,722
NYSE New Highs/New Lows:	417 / 106
AAll Bulls/Bears:	36.6% / 39.6%

US stocks slumped to their worst weekly losses since March 2003 as Tuesday's 9% plunge in the mainland Chinese market proved contagious. The DJIA shed 415 points Tuesday for the single biggest daily decline since September 2001. Though unnerved by China and by former Fed Chairman Greenspan alluding in a speech to the possibility of a US recession, investors began heavy selling only after the much weaker than expected January durable goods report. Stocks made back some ground on Wednesday after Fed Chairman Bernanke reiterated his standing view of the economy. Trading on Thursday featured an impressive rally from early losses following a positive reading on the manufacturing sector, but stocks still ended in the red. Stocks closed near session lows on Friday. More trouble in sub-prime mortgages fuelled fears of tightening credit conditions and shrinking liquidity. Shares of **Merrill Lynch**, **Morgan Stanley** and **Goldman Sachs** fell 7.7%, 9.3% and 9.6%, respectively. Insurer **AIG** reported strong earnings and announced shareholder-friendly moves. **Merck** boosted earnings guidance and bucked the downtrend. **Dell**'s results showed weakness in desktop PC sales, but investors took the news in stride. **Amgen** shares traded lower on new threats to its flagship anemia franchise. Looking ahead, investors will attempt to divine whether last week's action portends further weakness or represents a buying opportunity. Friday's February employment report looms especially large in importance on this week's calendar. Ultimately stocks should remain most sensitive to earnings guidance from the corporate sector, and any signs of strength there will likely be embraced by investors.

<b>US Economy and Credit Markets</b>	
<b>Yields and Weekly Changes:</b>	
<b>3 Mo. T-Bill:</b>	5.10% (-06 bps)
<b>6 Mo. T-Bill:</b>	5.05% (-11 bps.)
<b>2 Yr. T-Note:</b>	4.53% (-27 bps)
<b>3 Yr. T-Note:</b>	4.46% (-24 bps)
<b>5 Yr. T-Note:</b>	4.43% (-22 bps)
<b>10 Yr. T-Note:</b>	4.50% (-17 bps)
<b>30 Yr. T-Bond:</b>	4.64% (-13 bps)
<b>GNMA (30 Yr) 8% Coupon:</b>	103-27/32 (6.80%)
<b>Duration:</b>	3.22 years
<b>30 Year Insured Revs:</b>	92.2% of 30 Yr. T-Bond
<b>Bond Buyer 40 Yield:</b>	4.51% (-07 bps)
<b>Goldman Sachs Commodity Index:</b>	5699.73 (-50.97)
<b>Merrill Lynch High Yield Indices:</b>	
<b>BB, 7-10 Yr.</b>	6.95% (+07 bps)
<b>B, 7-10 Yr.</b>	8.00% (+18 bps)

As equity markets declined around the globe, investors sought the safety of Treasury securities, sending the benchmark 10-year note to its biggest one-week gains since October and yields to their lowest levels since December. Along with Tuesday's sell-off of stocks in China, other data from the economy contributed to the increase in Treasury prices. Durable goods orders declined much more than consensus expectations in January, and the GDP forecast was revised downward, although the latter result was widely expected. In addition, the four-week average of new unemployment claims reached its highest mark since October 2005. One piece of positive economic news was the unexpectedly large growth in the ISM Manufacturing Index in February. Economic reports (and related consensus forecasts) for the coming week include: Monday: February ISM Non-Manufacturing (57.0); Tuesday: 4Q Final Nonfarm Productivity (1.6%) and Unit Labor Costs (3.2%) and January Factory Orders (-4.5%); Wednesday: Fed's Beige Book released and January Consumer Credit (\$6.9 billion); Thursday: Initial Jobless Claims (335,000); Friday: January Trade Balance (-\$59.8 billion), February Employment Report, including Change in Nonfarm Payrolls (100,000), Unemployment Rate (4.6%), Average Hourly Earnings (0.3%), and Average Weekly Hours (33.8), and January Wholesale Inventories (0.0%).

**Source: Bloomberg and Barron's**