

Weekly Market Update

For the week ended
May 11, 2007

US Stocks	
Weekly Index Performance	
DJIA:	13326.22 (+61.60,+0.5%)
S&P 500:	1505.85 (+0.23,+0.0%)
S&P MidCap:	894.11 (+1.81,+0.2%)
S&P SmallCap:	430.60 (-1.12,-0.3%)
Nasdaq Comp:	2562.22 (-9.93,-0.4%)
Russell 2000:	829.54 (-3.34,-0.4 %)
Market Indicators	
Strong Sectors:	Technology, Materials, Telecom
Weak Sectors:	Healthcare, Consumer Staples, Consumer Discretionary
NYSE Advance/Decline:	1,812 / 1,662
NYSE New Highs/New Lows:	623 / 53
AAII Bulls/Bears:	42.9% / 42.9%

U.S. stocks were little changed last week as economic data was mixed and corporate news offered something for both the bulls and bears. Larger cap stocks pushed their winning streak to six weeks while smaller cap names suffered modest losses. The FOMC held rates steady on Wednesday and noted inflation remains their primary concern. Stocks were largely unaffected by the announcement. Soft April retail sales and a larger than expected trade deficit sent stocks to their biggest one day losses in almost two months on Thursday. **Wal-Mart**, **Target** and teen retailers turned in weak results. Technology shares paced the action to the upside throughout the week. **Hewlett-Packard** gained as strong server and home PC sales boosted 2Q results above expectations. **NVIDIA's** solid Q1 results boosted its stock 7% Friday. **Texas Instruments** boosted margin expectations sending its stock higher. Carl Icahn failed in his bid for a **Motorola** board seat. **Cisco** shares dropped despite earnings that beat expectations as investors were disappointed in the outlook for the rest of the year. **Amgen** shares tumbled 11% after an FDA panel recommended new restrictions on their blockbuster anemia drugs. **Whole Foods** stock fell sharply after reporting a large drop in Q1 profit. In merger news, **Alcoa** made a \$27 billion unsolicited bid for rival **Alcan** and **BAE Systems** will buy **Armor Holdings** for \$4.1 billion. Looking ahead, retailers will be in focus this week as numerous companies report earnings. After last week's disappointing April retail sales report, investors will be looking for clues to see if that was an aberration or an early warning sign. While headwinds appear to be building on the consumer side of the economy, reasonable valuations and ample liquidity should provide support for equities until the economic picture becomes clearer.

US Economy and Credit Markets	
Yields and Weekly Changes:	
3 Mo. T-Bill:	4.83 (-04 bps)
6 Mo. T-Bill:	4.88 (-12 bps)
2 Yr. T-Note:	4.71 (+05 bps)
3 Yr. T-Note:	4.61 (+02 bps)
5 Yr. T-Note:	4.58 (+04 bps)
10 Yr. T-Note:	4.67 (+04 bps)
30 Yr. T-Bond:	4.77 (+05 bps)
GNMA (30 Yr) 8% Coupon:	103-23/32 (6.85%)
Duration:	3.24 years
30 Year Insured Revs:	95.4% of 30 Yr. T-Bond
Bond Buyer 40 Yield:	4.60% (unch.)
Goldman Sachs Commodity Index:	5815.27 (+16.73)
Merrill Lynch High Yield Indices:	
BB, 7-10 Yr.	6.90% (-02 bps)
B, 7-10 Yr.	7.77% (-03 bps)

With the Fed continuing to focus on inflation, Treasury experienced their largest one-week drop in more than a month. As expected the FOMC left its target rate unchanged when it met Wednesday, but the accompanying policy statement convinced the market that its next move is likely to increase rather than decrease rates. The statement noted that while rates could move in either direction depending on the data from the economy, inflation remains the primary concern. That being the case, rates are more likely to increase in an effort to slow the economy's growth, a move that would be harmful to fixed income investments. Prices declined further on Friday, despite two pieces of favorable economic news. First, the "core" number of PPI was unchanged -- a 0.2% increase was forecasted -- although the overall increase exceeded expectations. In addition, retail sales, both overall and excluding auto sales, fell below expectations. Economic reports (and related consensus forecasts) for the coming week include: Tuesday: April Consumer Price Index 0.5%, less Food and Energy 0.2%; Wednesday: April Housing Starts (1,480,000) and April Industrial Production (0.3%) and Capacity Utilization (81.5%); Thursday: Initial Jobless Claims (310,000), April Leading Indicators (unch.), and May Philadelphia Fed report (4.0); and Friday: May Preliminary U of Michigan Consumer Confidence (86.5).

Source: Bloomberg and Barron's