

Weekly Market Update

For the week ended
May 25, 2007

| US Stocks | |
|--------------------------|-----------------------------------|
| Weekly Index Performance | |
| DJIA: | 13507.28 (-49.25,-0.4%) |
| S&P 500: | 1515.73 (-7.02,-0.5%) |
| S&P MidCap: | 896.28 (-1.91,-0.2%) |
| S&P SmallCap: | 431.16 (+2.96,+0.7%) |
| Nasdaq Comp: | 2557.19 (-1.26,-0.0%) |
| Russell 2000: | 829.93 (+6.27,+0.8 %) |
| Market Indicators | |
| Strong Sectors: | Telecom, Industrials, Health Care |
| Weak Sectors: | Utilities, Technology, Financials |
| NYSE Advance/Decline: | 1,529 / 1,974 |
| NYSE New Highs/New Lows: | 618 / 66 |
| AAll Bulls/Bears: | 37.4% / 38.6% |

U.S. stocks were mixed last week despite brisk M&A activity as the effects of a diminished outlook for rate cuts weighed on equities. Large cap stocks saw their winning streak snapped at seven weeks while small cap stocks benefited from takeover activity. The S&P 500 pushed into all-time high territory every day but Friday only to fade later in the day each time. Greenspan's comments Wednesday on the "unsustainable" growth of the Chinese stock market was cited as the cause for Wednesday's late day reversal. **MGM** shares soared on majority shareholder Kirk Kerkorian's bid for two of the company's properties. Retailers turned in a mixed performance. **Target** and **Ann Taylor** shares rose on better than expected results while a cautious outlook sent **American Eagle** shares lower. **Elan** and **Wyeth** rose on news of the start of late stage clinical trials for an Alzheimer's treatment. April new homes sales unexpectedly surged sending homebuilder shares higher Thursday although existing home sales reported Friday continued to show weakness. In M&A activity, **Alltel** agreed to a \$27.5 billion private equity buyout, **GE** will sell its plastics unit to a Saudi firm for \$11 billion and **Cytec** will be acquired by **Hologic** for \$6.2 billion. Global stock exchange consolidation continued as **NASDAQ** announced a deal to acquire Nordic exchange **OSX** after failing in its bid for the **London Stock Exchange**. **Alcan** shares rose after it formally rejected **Alcoa's** bid amid speculation of a rival bid materializing. Looking ahead, the coming week brings reports on inflation, employment and manufacturing that will be closely watched. While the business side of the economy continues to chug along, the consumer side still faces challenges. Modest valuations and buyout activity should continue to provide support for equities over the near-term until the economic picture comes into focus.

| US Economy and Credit Markets | |
|--|------------------------|
| Yields and Weekly Changes: | |
| 3 Mo. T-Bill: | 4.86 (+05 bps) |
| 6 Mo. T-Bill: | 4.95 (unch.) |
| 2 Yr. T-Note: | 4.85 (+04 bps) |
| 3 Yr. T-Note: | 4.79 (+03 bps) |
| 5 Yr. T-Note: | 4.79 (+07 bps) |
| 10 Yr. T-Note: | 4.85 (+05 bps) |
| 30 Yr. T-Bond: | 5.00 (+04 bps) |
| GNMA (30 Yr) 8% Coupon: | 103-22/32 (6.86%) |
| Duration: | 3.24 years |
| 30 Year Insured Revs: | 89.0% of 30 Yr. T-Bond |
| Bond Buyer 40 Yield: | 4.70% (+04 bps) |
| Goldman Sachs Commodity Index: | 5869.56 (-15.78) |
| Merrill Lynch High Yield Indices: | |
| BB, 7-10 Yr. | 6.93% (+01 bps) |
| B, 7-10 Yr. | 7.74% (-01 bps) |

Treasuries declined in price for the third straight week as the economy continued to show strength and the market continued to discount the likelihood of a Fed rate cut. After a slight increase in prices Monday, prices fell each day for the rest of the week. Tuesday's and Wednesday's drops were prompted by a speech by the president of the Richmond Fed, who emphasized that their main concern is that the pace of inflation remains uncomfortably high; such a position by the central bank decreases the chance that they will cut rates. Prices declined again Thursday as new home sales soared, enjoying their largest one-month jump in 20-plus years. In addition, while durable goods orders fell short of expectations in April, when March's upward revision was taken into account, the total gain exceeded forecasts. Economic reports (and related consensus forecasts) for the coming week include: Thursday: 1Q Preliminary GDP (0.8%, Price Index 4.0%), Initial Jobless Claims (313,000), and May Chicago Purchasing Manager Index (54.0); and Friday: April Personal Income (0.3%) and Personal Spending (0.4%), May Employment Report, including Change in Confirm Payrolls (135,000), Unemployment Rate (4.5%), Average Hourly Earnings (0.3%) and Average Weekly Hours (33.8), May ISM Manufacturing (54.0, ISM Prices Paid 73.0), May Final U of Michigan Consumer Confidence (88.0), and May Total Vehicle Sales (16.4 million).

Source: Bloomberg and Barron's