

Weekly Market Update

For the week ended
May 4, 2007

US Stocks	
Weekly Index Performance	
DJIA:	13264.62 (+143.68, +1.1%)
S&P 500:	1505.62 (+11.55, +0.8%)
S&P MidCap:	892.30 (+5.87, +0.7%)
S&P SmallCap:	431.72 (+3.47, +0.8%)
Nasdaq Comp:	2572.15 (+14.94, +0.6%)
Russell 2000:	832.87 (+3.17, +0.4%)
Market Indicators	
Strong Sectors:	Telecom Svcs., Industrials, Health Care
Weak Sectors:	Precious Metals, REIT's, Retail, Consumer Goods
NYSE Advance/Decline:	2,167 / 1,350
NYSE New Highs/New Lows:	690 / 54
AAll Bulls/Bears:	28.6% / 54.3%

US stocks advanced for a fifth straight week as economic data printed mostly positive, corporate earnings continued to surpass expectations, and merger and acquisition activity remained brisk. The S&P 500 passed the 1,500 mark for the first time since September 2000, and it ended the week just 1.4% from its March 2000 peak. Still, a healthy amount of skepticism from investors kept the averages from moving higher. **MasterCard** shares surged 18% after the company reported strong earnings on much higher-than-expected transaction volumes. **Yum! Brands** reported impressive results fuelled by China and the company boosted guidance. **Verizon Communications** shares gained on news the uptake of its new fiber-optic video service accelerated. On the downside, **General Motors** reported a huge drop in earnings resulting from subprime mortgage troubles. **Sears Holdings** reported disappointing results. **Dow Jones** made its own headlines as the company received a \$5 billion takeover offer from **News Corp.** **International Securities Exchange Holdings** agreed to be acquired by **Deutsche Borse** for \$2.8 billion. **Cablevision** announced a deal to go private worth \$10.6 billion. On Friday, **Yahoo!** shares took flight on news **Microsoft** is reportedly interested in buying the company. Looking ahead, the FOMC decision on interest rates and accompanying statement loom largest this coming week, though data on producer prices, retail sales, and more earnings reports will vie for attention. With sentiment subdued, much cash on the sidelines and the supply of stock shrinking, the path of least resistance for the market in the short term could be higher.

US Economy and Credit Markets	
Yields and Weekly Changes:	
3 Mo. T-Bill:	4.87 (-04 bps)
6 Mo. T-Bill:	5.00 (-02 bps)
2 Yr. T-Note:	4.66 (+02 bps)
3 Yr. T-Note:	4.59 (unch.)
5 Yr. T-Note:	4.54 (-04 bps)
10 Yr. T-Note:	4.63 (-05 bps)
30 Yr. T-Bond:	4.80 (-08 bps)
GNMA (30 Yr) 8% Coupon:	103-24/32 (6.84%)
Duration:	3.24 years
30 Year Insured Revs:	91.3% of 30 Yr. T-Bond
Bond Buyer 40 Yield:	4.60% (-01 bps)
Goldman Sachs Commodity Index:	5798.50 (-143.45)
Merrill Lynch High Yield Indices:	
BB, 7-10 Yr.	6.92% (-05 bps)
B, 7-10 Yr.	7.80% (-03 bps)

Treasury prices rose slightly for the week despite the continuing rally in the stock market. Price increases Monday and Friday book-ended losses through the middle of the week. Monday's increase was fueled by a decrease in the Chicago Purchasing Managers Index and flat core personal consumption, a measure of inflation on which the Fed relies heavily. Both pieces of data increased the possibility of a Fed rate cut, as did Friday's April employment report. That report showed an increase in nonfarm payrolls of just 88,000 -- below the consensus forecast of 100,000 -- along with downward revisions totaling 28,00 for the past three months. In addition, the unemployment rate ticked up to 4.5% from March's 4.4%. This further acted to ease inflation concerns and added to market speculation that the Fed's next change in rates will be a cut rather than an increase. Economic reports (and related consensus forecasts) for the coming week include: Monday: March Consumer Credit (\$4.0 billion); Tuesday: March Wholesale Inventories (0.4%); Wednesday: FOMC Rate Decision Expected (5.25%); Thursday: March Trade Balance (-\$60.0 billion), April Import Price Index (1.1%), Initial Jobless Claims (315,000), and April Monthly Budget Statement (\$140.0 billion); and Friday: April Producer Price Index (0.6%, less Food and Energy 0.2%), April Advance Retail Sales (0.4%, less Autos 0.5%), and March Business Inventories (0.3%).

Source: Bloomberg and Barron's