

Weekly Market Update

For the week ended
June 22, 2007

US Stocks	
Weekly Index Performance	
DJIA:	13360.26 (-279.22, -2.1%)
S&P 500:	1502.56 (-30.35, -2.0%)
S&P MidCap:	896.42 (-15.57, -1.7%)
S&P SmallCap:	432.75 (-7.55, -1.7%)
Nasdaq Comp:	2588.96 (-37.75, -1.4%)
Russell 2000:	834.75 (-13.44, -1.6%)
Market Indicators	
Strong Sectors:	Technology, Oil-Svcs., Basic Mat'l's, Industrials
Weak Sectors:	Utilities, Healthcare, Financials
NYSE Advance/Decline:	1,137 / 2,375
NYSE New Highs/New Lows:	479 / 131
AAll Bulls/Bears:	43.2% / 33.7%

Stocks slumped on concern over trouble brewing in credit markets and the possible implications for liquidity. Two hedge funds managed by **Bear Stearns** saw margin calls from lenders after adverse moves in the subprime mortgage market had eroded capital. Crude oil's advance to \$69.14/bbl, a ten-month high, also weighed on sentiment. Despite their wider concerns, investors reacted favorably to **Blackstone Group's** \$4 billion IPO on Friday, bidding the shares 13% higher. **Morgan Stanley's** stellar quarterly results couldn't help its shares escape collateral damage to brokerage shares from Bear's troubles. In other earnings news, **Best Buy** reported a wide earnings miss and its shares fell by 6%. **Home Depot** announced a huge \$22.5 billion share buyback partly funded by proceeds from the sale of its construction-supply business. Semiconductor shares logged a strong week, helped by news flow from **Nvidia** and an analyst upgrade of **Advanced Micro Devices**. **Google** shares gained 3.8% on analyst action. **Yahoo!**'s CEO stepped aside. In merger news, **Nuveen Investments** announced it will be taken private in a \$5.75 billion deal. **Luxtottica Group** is acquiring rival **Oakley** for \$2.1 billion. Looking ahead, investors will have several cross-currents to navigate in the coming week including the hedge fund situation, the Federal Reserve's decision on interest rates, possible earnings pre-announcements, and end-of-quarter portfolio positioning. Last week's worries could soon dissipate if the second quarter shapes up to be a strong one for corporate earnings.

US Economy and Credit Markets	
Yields and Weekly Changes:	
3 Mo. T-Bill:	4.70 (+15 bps)
6 Mo. T-Bill:	4.94 (+08 bps)
2 Yr. T-Note:	4.90 (-12 bps)
3 Yr. T-Note:	4.95 (-10 bps)
5 Yr. T-Note:	5.00 (-09 bps)
10 Yr. T-Note:	5.13 (-03 bps)
30 Yr. T-Bond:	5.25 (unch.)
	103-27/32 (6.61%)
GNMA (30 Yr) 8% Coupon:	
Duration:	3.30 years
30 Year Insured Revs:	88.6% of 30 Yr. T-Bond
Bond Buyer 40 Yield:	4.88% (+01 bps)
Crude Oil Futures:	69.14 (+1.14)
Gold Futures:	653.50 (-1.00)
Merrill Lynch High Yield Indices:	
BB, 7-10 Yr.	7.35% (+06 bps)
B, 7-10 Yr.	8.12% (+11 bps)

Treasury prices rose for the week as fears of losses from hedge funds relating to the sub-prime mortgage market drove investors to the safety of government debt. In addition, with the yield on the benchmark Ten-Year note falling more sharply than that on the Two-Year note, the yield curve is steeper than it has been since October 2005; the spread between the Two-Year and 10-year note in 23 bps. The Fed will have a two day meeting on Tuesday and Wednesday, at which it is expected that rates will remain unchanged for the eighth straight meeting, as the central bank focuses on controlling inflation. There was limited news from the economy for the week, with first-time jobless claims hitting their highest level since April while leading indicators increased more than expected. Economic reports (and related consensus forecasts) for the coming week include: Monday: May Existing Home Sales 5.97M Tuesday: May New Home Sales 925K Wednesday: May Durable Goods Orders - 1.0% May Durables Ex Transportation 0.3% Thursday: 1Q F GDP Annualized 0.8% 1Q F GDP Price Index 4.0% Initial Jobless Claims 315K FOMC Rate Decision Expected 5.25% Friday: May Personal Income 0.6% Personal Spending 0.7% June Chicago Purchasing Manager 58.0 June final U. of Michigan Confidence 84.0.

Source: Bloomberg and Barron's