



For the week ended July 13, 2007

Weekly Market Update

U.S. Stocks	
WEEKLY INDEX PERFORMANCE	
DJIA:	13907.25 (+295.57,+2.2%)
S&P 500:	1552.50 (+22.06,+1.4%)
S&P MidCap:	926.23 (+9.97,+1.1%)
S&P SmallCap:	444.90 (+4.71,+1.1%)
Nasdaq Comp:	2707.00 (+40.49,+1.5%)
Russell 2000:	855.77 (+3.46,+0.4 %)
MARKET INDICATORS	
Strong Sectors:	Energy, Materials, Industrials
Weak Sectors:	Telecom, Consumer Discretionary, Financials
NYSE Advance/Decline:	1,857 / 1,635
NYSE New Highs/New Lows:	636 / 188
AAll Bulls/Bears:	43.6% / 30.0%

U.S. stocks turned in another solid week of gains as earnings season got underway. Energy shares continued to lead the market higher as oil extended its recent run-up, ending the week just under \$74/bbl. Retailers turned in mixed performance. **Target**, **Wal-Mart**, and several teen retailers reported stronger than expected June sales. Meanwhile, **Sears** shares fell almost 10% after slashing 2Q guidance and **Home Depot** warned 2008 earnings would fall well below 2007 results. **Alcoa** kicked off earnings season reporting inline results though revenues fell short of forecasts. Shares jumped higher late in the week however amid speculation they could be a takeover target after losing in their bid to acquire **Alcan** following **Rio Tinto's** \$38 billion bid. **GE** reported inline earnings and announced a big share repurchase increase and the intention to divest their sub-prime mortgage unit. **Johnson & Johnson** and **ConocoPhillips** announced large share buybacks of \$10 & \$15 billion, respectively. Sub-prime mortgages were in the news again as Moody's slashed ratings on a host of mortgage backed issues and S&P placed \$12 billion of the securities on negative watch. Homebuilders regained their footing late in the week on rumors Warren Buffett is eyeing investments in the sector. Looking ahead, earnings season kicks into high gear this week with almost 20% of the S&P 500 reporting. In addition, several key economic reports and Bernanke's semi-annual testimony on Capitol Hill will be closely watched. Despite the constant worries, equities remain an attractively valued asset class and the path of least resistance remains to the upside.

See next page for U.S. Economy and Credit Markets Information.

US Economy and Credit Markets	
YIELDS AND WEEKLY CHANGES:	
3 Mo. T-Bill:	4.95 (+02 bps)
6 Mo. T-Bill:	5.04 (+05 bps)
2 Yr. T-Note:	4.91 (-07 bps)
3 Yr. T-Note:	4.94 (-07 bps)
5 Yr. T-Note:	5.00 (-08 bps)
10 Yr. T-Note:	5.09 (-09 bps)
30 Yr. T-Bond:	5.18 (-08 bps)
GNMA (30 Yr) 8% Coupon:	103-26/32 (6.67%)
Duration:	3.33 years
30 Year Insured Revs:	89.2% of 30 Yr. T-Bond
Bond Buyer 40 Yield:	4.85% (-03 bps)
Crude Oil Futures:	73.93 (+1.12)
Gold Futures:	667.30 (+9.70)
Merrill Lynch High Yield Indices:	
BB, 7-10 Yr.	7.58% (+03 bps)
B, 7-10 Yr.	8.41% (+08 bps)

As the sub-prime mortgage issue continues to dominate the headlines, investors sought out the safety of Treasury debt, sending prices upward for the week. Prices rose Monday, as buyers seemed to be tempted after recent price declines created inviting yields. The decision by S&P to place \$12 billion in sub-prime debt under credit review sparked a flight to quality on Tuesday, driving prices up. A speech by the Philadelphia Fed president downplaying the trouble in the housing market caused prices to decline on Wednesday. Prices fell again Thursday as news of increased foreclosure activity caused additional concern regarding the housing industry difficulties. Retail sales that came in below expectations, although much of the weakness was in automobile sales, which tend to erratic. Economic reports (and related consensus forecasts) for the coming week include: Tuesday: June Producer Price Index (0.1%, less Food & Energy 0.2%) and June Industrial Production (0.5%) and Capacity Utilization (81.6%); Wednesday: June Consumer Price Index (0.1%, less Food & Energy 0.2%) and June Housing Starts (1,450,000); and Thursday: Initial Jobless Claims (310,000), June Leading Indicators (-0.1%), and July Philadelphia Fed. (14.0).

Source: Bloomberg and Barron's



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