



## Weekly Market Update

U.S. Stocks	
WEEKLY INDEX PERFORMANCE	
DJIA:	13851.08 (-56.17,-0.4%)
S&P 500:	1534.10 (-18.40,-1.2%)
S&P MidCap:	914.05 (-12.18,-1.3%)
S&P SmallCap:	437.75 (-7.15,-1.6%)
Nasdaq Comp:	2687.60 (-19.40,-0.7%)
Russell 2000:	836.44 (-19.33,-2.3 %)
MARKET INDICATORS	
Strong Sectors:	Industrials, Energy, Technology
Weak Sectors:	Financials, Health Care, Consumer Staples
NYSE Advance/Decline:	1,018 / 2,466
NYSE New Highs/New Lows:	542 / 295
AAll Bulls/Bears:	41.8% / 36.7%

U.S. stocks fell for the first time in four weeks as negative earnings news late in the week sent shares lower. Despite the losses, the Dow Industrials closed above the 14,000 mark for the first time ever on Thursday. Bernanke's semi-annual testimony before Congress highlighted inflation as the predominant Fed worry and the week's CPI & PPI reports supported the vigilance. Energy shares continued to move higher; oil rose above \$76/bbl on Thursday before ending the week at \$75.57. **Schlumberger** shares gained after earnings were boosted by strong international demand. **IBM** shares were boosted over 4% after strong earnings and a positive forecast for the remainder of the year. **Microsoft** reported results inline with expectations. Despite strong earnings from **Merrill Lynch**, **Bank of America**, **Citigroup** and **JPMorgan**, financials were the worst performing sector as subprime worries weighed on the sector. **Google** fell 5% Friday after earnings came up short due to increased compensation costs. **Intel**, **Yahoo** and **eBay** also missed the mark and fell following earnings reports. **Pfizer** reported earnings well short of forecasts as Lipitor sales disappointed. **Caterpillar** cited the US housing slowdown and weak engine demand for its earnings miss; however they reiterated full year earnings forecasts. In M&A, **Lyondell** agreed to a \$12 billion offer and **Applebee's** will be acquired by **IHOP** for over \$2 billion. Looking ahead, the coming week will be the busiest week of earnings so far. While last week's reports might have some question the bullish thesis, equity valuations, ample liquidity and forecasts for economic growth still point to equities as the most attractive asset class.

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

<b>US Economy and Credit Markets</b>	
<b>YIELDS AND WEEKLY CHANGES:</b>	
<b>3 Mo. T-Bill:</b>	4.96 (+01 bps)
<b>6 Mo. T-Bill:</b>	5.04 (unch.)
<b>2 Yr. T-Note:</b>	4.76 (-15 bps)
<b>3 Yr. T-Note:</b>	4.78 (-16 bps)
<b>5 Yr. T-Note:</b>	4.84 (-16 bps)
<b>10 Yr. T-Note:</b>	4.94 (-15 bps)
<b>30 Yr. T-Bond:</b>	5.04 (-14 bps)
<b>GNMA (30 Yr) 8% Coupon:</b>	103-26/32 (6.67%)
<b>Duration:</b>	3.36 years
<b>30 Year Insured Revs:</b>	91.5% of 30 Yr. T-Bond
<b>Bond Buyer 40 Yield:</b>	4.791% (-06 bps)
<b>Crude Oil Futures:</b>	75.57 (+1.66)
<b>Gold Futures:</b>	684.70 (+17.40)
<b>Merrill Lynch High Yield Indices:</b>	
<b>BB, 7-10 Yr.</b>	7.69% (+11 bps)
<b>B, 7-10 Yr.</b>	8.57% (+16 bps)

Treasury yields fell for the second straight week as the specter of subprime mortgage losses continued to loom over the market and continued to send investors to the safety of U.S. government debt. The largest weekly gain in prices since March left the yield on the benchmark 10-Year Treasury note at its lowest level in six weeks. Yields fell Monday as a subprime index showed more weakness in the sector. An increase in core producer prices pushed Treasury prices up Tuesday on inflation fears. Subprime concerns again pressured yields on Wednesday, while a decrease in first-time unemployment claims had little effect on prices Thursday. Prices rose again Friday as the flight to quality continued following Fed Chairman Ben Bernanke's comments that there would be "significant losses" in the subprime market. Economic reports (and related consensus forecasts) for the coming week include: Wednesday: June Existing Home Sales (5.88M) and Fed's Beige Book released; Thursday: June Durable Goods Orders (1.8%, less Transportation 0.5%), Initial Jobless Claims (310,000), and New Home Sales (900,000); and Friday: 2Q Actual Annualized GDP (3.2%, Price Index 3.4%) and July Final U of Michigan Consumer Confidence (91.0).

*Source: Bloomberg and Barron's*



1001 WARRENVILLE ROAD, LISLE, ILLINOIS 60532