



For the week ended July 27, 2007

## Weekly Market Update

U.S. Stocks	
WEEKLY INDEX PERFORMANCE	
<b>DJIA:</b>	13265.47 (-585.61, -4.2%)
<b>S&amp;P 500:</b>	1458.95 (-75.15, -4.9%)
<b>S&amp;P MidCap:</b>	858.76 (-55.29, -6.1%)
<b>S&amp;P SmallCap:</b>	410.05 (-27.70, -6.3%)
<b>Nasdaq Comp:</b>	2562.24 (-125.36, -4.7%)
<b>Russell 2000:</b>	777.83 (-58.61, -7.0%)
MARKET INDICATORS	
<b>Strong Sectors:</b>	Telecom, Healthcare, Consumer Goods, Technology
<b>Weak Sectors:</b>	Materials, Utilities, Energy, Home Constr'n, REIT's
<b>NYSE Advance/Decline:</b>	330 / 3,192
<b>NYSE New Highs/New Lows:</b>	255 / 1,002
<b>AAll Bulls/Bears:</b>	44.2% / 36.8%

US stocks suffered their worst weekly losses in almost five years as credit market troubles led investors to hastily mark down the price of risky assets. The future of private equity-led buyout activity was cast into doubt by the cancellation and postponement of financing for several announced deals, including for **Chrysler**. Monthly data on the housing sector along with earnings reports from several homebuilders and mortgage lender **Countrywide Financial** were weaker than expected, adding to worries over the economy. Selling came in record trading volumes, peaking Thursday when the DJIA gave up 311 points. Friday's session brought initial relief but heavy selling brought stocks to their lows at the close. Defensive sectors fared best in the selloff, though Technology issues showed seasonal strength. Small-cap stocks fell hardest. Positives for the week included the initial report on second quarter real GDP, revealing a 3.4% annual rate of growth. Impressive quarterly earnings came from the likes of **Apple**, **Amazon.com**, **Boeing** and **Ford Motor**. Second-quarter earnings overall at +6.5% from the prior year are running ahead of expectations. Disappointing results and/or guidance came from Countrywide, **ExxonMobil**, **DuPont** and **Texas Instruments**. **Transocean Inc.** and **GlobalSantaFe** are merging to create a \$53 billion drilling giant. **Medtronic** announced a deal to acquire **Kyphon** for \$3.9 billion. Looking ahead, data on the economy and possible action by the Federal Reserve are likely to be more important than corporate earnings in the near term as investors look with new eyes at the risk-reward proposition offered by equities.

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

US Economy and Credit Markets	
YIELDS AND WEEKLY CHANGES:	
<b>3 Mo. T-Bill:</b>	4.84 (-12 bps)
<b>6 Mo. T-Bill:</b>	4.90 (-12 bps)
<b>2 Yr. T-Note:</b>	4.52 (-26 bps)
<b>3 Yr. T-Note:</b>	4.48 (-30 bps)
<b>5 Yr. T-Note:</b>	4.56 (-28 bps)
<b>10 Yr. T-Note:</b>	4.75 (-19 bps)
<b>30 Yr. T-Bond:</b>	4.93 (-11 bps)
<b>GNMA (30 Yr) 8% Coupon:</b>	103-26/32 (6.64%)
<b>Duration:</b>	3.36 years
<b>30 Year Insured Revs:</b>	92.3% of 30 Yr. T-Bond
<b>Bond Buyer 40 Yield:</b>	4.77% (-02 bps)
<b>Crude Oil Futures:</b>	77.12 (+1.55)
<b>Gold Futures:</b>	660.10 (-24.60)
<b>Merrill Lynch High Yield Indices:</b>	
<b>BB, 7-10 Yr.</b>	8.18% (+49 bps)
<b>B, 7-10 Yr.</b>	9.27% (+70 bps)

Prices of Treasuries showed their largest one-week gains since March, marking their third straight week in positive territory. As sub-prime mortgage concerns continued to be felt in both the stock market and the corporate debt market, investors sought the safety of U.S. government securities. After a similar flight to safety last week, prices fell Monday as the stock market showed gains. Troubles in the corporate bond market, including the postponement of a \$3.1 billion issue related to the leveraged buyout of a General Motors unit, drove up prices Tuesday. A similar delay in a \$12 billion offering -- part of Cerberus Capital taking Chrysler private -- helped push prices higher Wednesday. Accelerating sell-offs in the stock and corporate credit markets continued to push yields lower Thursday and Friday. Economic reports (and related consensus forecasts) for the coming week include: Tuesday: June Personal Income (0.5%) and Personal Spending (0.2%) and July Chicago Purchasing Manager Index (58.0); Wednesday: July ISM Manufacturing (55.3, Prices Paid 67.0) and July Total Vehicle Sales (16.0 million); Thursday: Initial Jobless Claims (310,000) and June Factory Orders (0.9%); Friday: July Employment Report, including Change in Nonfarm Payrolls (129,000) Unemployment Rate (4.5%), Average Hourly Earnings (0.3%), and Average Weekly Hours (33.9), and July ISM Non-Manufacturing (59.0).

*Source: Bloomberg and Barron's*