



Weekly Market Update

U.S. Stocks	
WEEKLY INDEX PERFORMANCE	
DJIA:	13611.68 (+203.06,+1.5%)
S&P 500:	1530.44 (+27.09,+1.8%)
S&P MidCap:	916.26 (+20.75,+2.3%)
S&P SmallCap:	440.19 (+7.88,+1.8%)
Nasdaq Comp:	2666.51 (+63.28,+2.4%)
Russell 2000:	852.31 (+18.61,+2.2 %)
MARKET INDICATORS	
Strong Sectors:	Energy, Technology, Materials
Weak Sectors:	Telecom, Consumer Staples, Utilities
NYSE Advance/Decline:	2,589 / 893
NYSE New Highs/New Lows:	479 / 77
AAll Bulls/Bears:	43.8% / 32.9%

U.S. stocks posted solid gains for the holiday-shortened week as brisk buyout activity and stronger than expected economic data boosted equities. Hotel stocks surged following **Blackstone's** \$20 billion bid for Hilton. In other M&A news, Canada's largest telecom provider, **BCE**, will be taken private in a \$32 billion deal, **AT&T** will acquire **Dobson Communications** for \$2.8 billion and **Manor Care** will go private in a \$6.3 billion transaction. Friday's June employment report capped a week of stronger than expected economic reports indicating economic growth remains on track. Energy shares led the market higher as crude ended the week at a ten month high of \$72.81/bbl. **Apple** shares jumped over 8% following its successful iPhone launch. Blackberry maker **Research in Motion** share's gained after they announced plans to offer the device in China. **Microsoft** will take a \$1 billion charge to extend Xbox 360 warranties to fix faulty consoles. **Ford, GM & Chrysler** all saw their June vehicle sales fall from the prior year, while **Honda, Toyota** and **Nissan** all showed gains. Following **Blackstone's** lead, private equity heavyweight **Kohlberg Kravis Roberts** filed IPO documents. Looking ahead, earnings season gets under way when **Alcoa** reports results on Monday. The combination of modest earnings expectations and reasonable valuations could lead to another leg higher for equities should results convince investors the economy remains on a steady growth track.

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

US Economy and Credit Markets	
YIELDS AND WEEKLY CHANGES:	
3 Mo. T-Bill:	4.93 (+13 bps)
6 Mo. T-Bill:	4.99 (+06 bps)
2 Yr. T-Note:	4.98 (+12 bps)
3 Yr. T-Note:	5.01 (+13 bps)
5 Yr. T-Note:	5.08 (+15 bps)
10 Yr. T-Note:	5.18 (+16 bps)
30 Yr. T-Bond:	5.26 (+14 bps)
GNMA (30 Yr) 8% Coupon:	103-28/32 (6.64%)
Duration:	3.30 years
30 Year Insured Revs:	88.0% of 30 Yr. T-Bond
Bond Buyer 40 Yield:	4.88% (+05 bps)
Crude Oil Futures:	72.81 (+2.13)
Gold Futures:	657.60 (+6.70)
Merrill Lynch High Yield Indices:	
BB, 7-10 Yr.	7.55% (+07 bps)
B, 7-10 Yr.	8.33% (+07 bps)

After gains on Monday, Treasury prices fell each day the rest of the Independence Day-shortened week. The three straight days of declines to close the week left the benchmark 10-year note with its biggest weekly drop in more than a year. A decline in the prices paid component of the June ISM Index spurred Monday's gains, as it signaled a possible ease in inflation pressures. Prices fell on Tuesday as factory orders declined less than expected. An unexpectedly large increase in the growth of the service sector — the fastest since April 2006 — helped drive up yields on Thursday. Finally, while the July employment report showed jobs gains relatively in line with forecasts, upward revisions of April and May totaling 75,000, left employment well above expected levels, pushing prices down to close the week. Economic reports (and related consensus forecasts) for the coming week include: Monday: May Consumer Credit (\$7.0 billion); Tuesday: May Wholesale Inventories (0.4%) Thursday: May Trade Balance (-\$60.0 billion), Initial Jobless Claims (315,000), and June Monthly Budget Statement (\$28.0 billion); Friday: June Import Price Index (0.6%), June Advance Retail Sales (0.0%, less Autos 0.2%), July Preliminary U of Michigan Consumer Confidence (86.0), and May Business Inventories (0.3%).

Source: Bloomberg and Barron's