



Weekly Market Update

U.S. Stocks	
WEEKLY INDEX PERFORMANCE	
DJIA:	13239.54 (+57.63, +0.4%)
S&P 500:	1453.64 (+20.58, +1.4%)
S&P MidCap:	851.44 (+10.91, +1.3%)
S&P SmallCap:	413.39 (+12.90, +3.2%)
Nasdaq Comp:	2544.89 (+33.64, +1.3%)
Russell 2000:	788.78 (+33.36, +4.4%)
MARKET INDICATORS	
Strong Sectors:	Financials, Energy, Utilities, Consumer Goods
Weak Sectors:	Telecom, Industrials, Computers
NYSE Advance/Decline:	1,595 / 1,929
NYSE New Highs/New Lows:	190 / 1,095
All Bulls/Bears:	45.8% / 39.0%

US stocks advanced for the first week in four though volatility and trading volumes were extreme. Investors alternated between views the Federal Reserve would soon cut interest rates to contain the credit squeeze on one hand, and a consumer-led recession lies ahead on the other. The Fed's statement accompanying its decision Tuesday to leave rates unchanged made mention of present troubles but indicated the Fed remains vigilant on inflation. More evidence of panic from hedge fund investors emerged, notably from European bank **BNP Paribas** on Thursday. Stocks Thursday posted their second-steepest one-day drop this year. Investors were soothed somewhat by the Fed's injection of \$62 billion into the banking system. **Countrywide Financial** alluded to "unprecedented disruptions" in mortgage markets in its 10-Q. Shares of **Fannie Mae** and **Freddie Mac** surged as investors anticipated an expanded role for the GSE's in providing liquidity. **Home Depot** revealed it expects to cut the \$10.3 billion sale price of a division due to financing difficulties. Weaker-than-expected sales results from retailers for July added to the week's jitters. Among positives, **Cisco Systems'** quarterly earnings were ahead of estimates and the company boosted sales guidance. **Wynn Resorts** blew past estimates. Looking ahead, the stock market is likely to continue vulnerable in the near term to headline risk. This week, earnings results from major retailers including **Wal-Mart** should shed light on consumer response to energy prices, mortgages and housing. Longer-term, global economic growth trends and reasonable valuations make equities an attractive bet.

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

US Economy and Credit Markets	
YIELDS AND WEEKLY CHANGES:	
3 Mo. T-Bill:	4.54 (-28 bps)
6 Mo. T-Bill:	4.79 (-08 bps)
2 Yr. T-Note:	4.45 (+05 bps)
3 Yr. T-Note:	4.49 (+10 bps)
5 Yr. T-Note:	4.58 (+11 bps)
10 Yr. T-Note:	4.79 (+12 bps)
30 Yr. T-Bond:	5.02 (+16 bps)
GNMA (30 Yr) 8% Coupon:	103-27/32 (6.54%)
Duration:	3.21 years
30 Year Insured Revs:	91.8% of 30 Yr. T-Bond
Bond Buyer 40 Yield:	4.87% (+07 bps)
Crude Oil Futures:	71.47 (-3.57)
Gold Futures:	670.30 (-4.10)
Merrill Lynch High Yield Indices:	
BB, 7-10 Yr.	7.89% (-11 bps)
B, 7-10 Yr.	8.95% (-09 bps)

Treasuries had a four-week string of gains broken as prices fell, aided in part by infusion of cash of a number of central banks, including the United States, the Euro Zone, and Japan, late in the week to provide liquidity to the market. The continuing credit concerns caused by the subprime mortgage debt had caused lending to tighten. In addition, with the increase in the yield on the 10-Year Note growing faster than that of the 2-Year, the spread of the 10-Year over the 2-Year is now at 34 bps, its widest margin since July of 2005; the curve was inverted for much of the time between December 2005 and May 2007. As expected the Fed left its target rate unchanged at 5.25%, continuing to view inflation as a greater threat than slowing growth. Economic reports (and related consensus forecasts) for the coming week include: Monday: July Advance Retail Sales (0.2%, Less Autos 0.4%) and June Business Inventories (0.4%); Tuesday: June Trade Balance (-\$61.0 billion) and July Producer Price Index (0.1%, Ex Food & Energy 0.2%); Wednesday: July Consumer Price Index (0.1%, Ex Food & Energy 0.2%) and July Industrial Production (0.3%) and Capacity Utilization (81.7%); Thursday: July Housing Starts (1,400,000), Initial Jobless Claims (313,000), and August Philadelphia Fed report (8.9); and Friday: August preliminary U of Michigan Consumer Confidence (88.0).

Source: Bloomberg and Barron's