



For the week ended August 17, 2007

## Weekly Market Update

U.S. Stocks	
WEEKLY INDEX PERFORMANCE	
DJIA:	13079.08 (-160.46,-1.2%)
S&P 500:	1445.94 (-7.70,-0.5%)
S&P MidCap:	838.30 (-13.14,-1.5%)
S&P SmallCap:	412.35 (-1.04,-0.3%)
Nasdaq Comp:	2505.03 (-39.86,-1.6%)
Russell 2000:	786.03 (-2.75,-0.3 %)
MARKET INDICATORS	
Strong Sectors:	Financials, Telecommunications, Health Care
Weak Sectors:	Materials, Consumer Discretionary, Technology
NYSE Advance/Decline:	1,096 / 2,430
NYSE New Highs/New Lows:	65 / 1,284
AAll Bulls/Bears:	42.2% / 45.6%

U.S. stocks lost ground last week as the subprime fallout and vanishing liquidity in the credit markets weighed on shares. Trading was decidedly negative the first part of the week before a late day rally on Thursday produced the week's first day of gains. The momentum continued on Friday, following the Fed's easing of the discount rate, cutting the week's losses significantly. Financials led the late week sprint higher after leading to the downside earlier in the week. **Countrywide Financial** spooked the markets when they drew down their entire credit line to fund operations after other funding sources dried up. **Hewlett-Packard** reported earnings ahead of expectations continuing its string of strong quarterly results. **Goldman Sachs** announced several in-house hedge funds have produced poor returns of late and injected \$3 billion along with other investors into the funds. **Wal-Mart** shares sank despite in-line earnings after lowering full year guidance citing the economy. **Home Depot** shares were also weaker despite besting expectations as the weak housing market led to lower year-over-year earnings. **Mattel** recalled an additional 9 million toys due to defects from a Chinese supplier. A federal judge refused to block the **Whole Foods/Wild Oats** merger sending shares of both companies higher. **VMware** shares jumped over 75% on their first day of trading after **EMC** sold a portion of its stake in an IPO. Looking ahead, stocks are likely to remain volatile in the coming weeks as investors sort through the recent action in the credit markets and gauge its long-term implications. While the late week rebound was encouraging and stock valuations are attractive, headline risk remains high and is likely to be met with a "sell first, ask questions later" mentality.

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>	3.72 (-82 bps)
<b>6 Mo. T-Bill:</b>	4.18 (-61 bps)
<b>2 Yr. T-Note:</b>	4.16 (-29 bps)
<b>3 Yr. T-Note:</b>	4.22 (-27 bps)
<b>5 Yr. T-Note:</b>	4.34 (-24 bps)
<b>10 Yr. T-Note:</b>	4.66 (-23 bps)
<b>30 Yr. T-Bond:</b>	4.97 (-05 bps)
<b>GNMA (30 Yr) 8% Coupon:</b>	103-29/32 (6.54%)
<b>Duration:</b>	3.26 years
<b>30 Year Insured Revs:</b>	94.2% of 30 Yr. T-Bond
<b>Bond Buyer 40 Yield:</b>	5.03% (+16 bps)
<b>Crude Oil Futures:</b>	71.98 (+0.51)
<b>Gold Futures:</b>	656.90 (+13.40)
<b>Merrill Lynch High Yield Indices:</b>	
<b>BB, 7-10 Yr.</b>	7.96% (+07 bps)
<b>B, 7-10 Yr.</b>	9.05% (+10 bps)

Treasury prices rose sharply on the week as the repercussions of the subprime mortgage deterioration continued a flight to the safety of government-backed debt. Prices were higher Monday despite gains in the stock market and a July retail sales report that showed increases above expectations. Tuesday's decision of a management company to halt redemptions caused fresh concerns about the credit market and helped increase prices again. The problems continued Wednesday as the uncertainty of the market continued the cause investors to seek the safest debt. Prices rose again Thursday as the stock market showed heavy losses throughout the day, though most of those were erased by the time the market closed. Treasuries fell slightly Friday as the Fed lowered its overnight lending rate to 5.75% from 6.25%. The market took this as a signal that it will follow up this action by lowering its target rate when it meets in September, although the Fed has continued to maintain that inflation remains a concern. Economic reports (and related consensus forecasts) for the coming week include: Monday: July Leading Indicators (0.4%); Thursday: Initial Jobless Claims (320,000); Friday: July Durable Goods Orders (1.0%, less Transportation 0.6%), and July New Home Sales (820,000).

**Source: Bloomberg and Barron's**