



Weekly Market Update

U.S. Stocks	
WEEKLY INDEX PERFORMANCE	
DJIA:	13378.87 (+299.79, +2.3%)
S&P 500:	1479.37 (+33.43, +2.3%)
S&P MidCap:	864.35 (+26.05, +3.1%)
S&P SmallCap:	420.45 (+8.10, +2.0%)
Nasdaq Comp:	2576.69 (+71.66, +2.9%)
Russell 2000:	798.93 (+12.90, +1.6%)
MARKET INDICATORS	
Strong Sectors:	Materials, Telecom, Consumer Services, Technology
Weak Sectors:	Financials, Health Care, Consumer Goods
NYSE Advance/Decline:	2,895 / 629
NYSE New Highs/New Lows:	45 / 131
AAII Bulls/Bears:	41.3% / 43.1%

US stocks continued a recovery began late the prior week and posted solid weekly gains. Investors adopted a view the economy would be able to weather the global credit crisis and that stocks were oversold. Economic data including the July durable goods and monthly new home sales reports, though largely reflecting pre-crisis conditions, supported that view. The DJIA, S&P 500 and Nasdaq indices are now up 7.4%, 5.3% and 7.8%, respectively, off their intraday Aug 16th lows.

Countrywide Financial shares ended the week lower despite **Bank of America's** decision to invest \$2 billion in Countrywide's convertible preferred shares. **Lehman Brothers** and **Capital One Financial** were among firms announcing they would shutter mortgage units and lay off employees. Elsewhere, the Materials sector got a boost as **BHP Billiton** posted strong quarterly results while rival **Rio Tinto** secured financing for a pending takeover. Crude oil prices declined as Hurricane Dean spared the Gulf of Mexico. Several retailers reported strong results including **Lowe's**, **Dick's Sporting Goods** and **Gamestop**. **MGM Mirage** shares surged on news Dubai is taking a \$5 billion stake in the company. Looking ahead, the coming week features a smattering of economic data, a key earnings report from **Dell**, and a couple of opportunities for insight into the latest thinking at the Federal Reserve. Investors are likely to remain focused on the credit markets, given that financing is pending for numerous LBO's and conditions are tight. Despite earnings uncertainty in the Financials sector, global economic growth and reasonable valuations would appear to be working in favor of equities.

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

US Economy and Credit Markets	
YIELDS AND WEEKLY CHANGES:	
3 Mo. T-Bill:	4.22 (+50 bps)
6 Mo. T-Bill:	4.30 (+12 bps)
2 Yr. T-Note:	4.28 (+12 bps)
3 Yr. T-Note:	4.28 (+06 bps)
5 Yr. T-Note:	4.40 (+06 bps)
10 Yr. T-Note:	4.61 (-05 bps)
30 Yr. T-Bond:	4.88 (-09 bps)
GNMA (30 Yr) 8% Coupon:	103-28/32 (6.53%)
Duration:	3.23 years
30 Year Insured Revs:	97.3% of 30 Yr. T-Bond
Bond Buyer 40 Yield:	5.07% (+04 bps)
Crude Oil Futures:	71.09 (-0.89)
Gold Futures:	668.00 (+11.10)
Merrill Lynch High Yield Indices:	
BB, 7-10 Yr.	7.82% (-04 bps)
B, 7-10 Yr.	8.87% (-18 bps)

Treasury prices were mixed for the week, with yields falling at the long end of the curve, causing those prices to rise, and rising for shorter-term issues, resulting in lower prices at the short end of the yield curve. The move away from shorter maturity Treasuries signaled that some of the recent credit fears have eased to some degree, slowing the flight to quality that had driven up prices in recent weeks. There was limited economic data for the week, but the data that was released was mainly positive. New home sales increased in July; forecasters had expected a decline. Durable goods sales showed strong growth—3.7%, excluding transportation—far outpacing the consensus forecast of 0.6%. Meanwhile, the weekly total of first-time unemployment claims declined, although the four-week moving average, which smoothes out anomalies, rose slightly to reach its highest level in six weeks. Economic reports (and related consensus forecasts) for the coming week include: Monday: July Existing Home Sales (5.70 million); Thursday: 2Q Preliminary GDP (4.1%, Price Index 2.7%) and Initial Jobless Claims (320,000); Friday: July Personal Income (0.3%) and Personal Spending (0.4%), August Chicago Purchasing Manager Index (53.0), July Factory Orders (1.2%), and August Final U of Michigan Consumer Confidence (82.5).

Source: Bloomberg and Barron's