



For the week ended September 7, 2007

Weekly Market Update

U.S. Stocks	
WEEKLY INDEX PERFORMANCE	
DJIA:	13113.38 (-244.36, -1.8%)
S&P 500:	1453.55 (-20.44, -1.4%)
S&P MidCap:	853.30 (-9.70, -1.1%)
S&P SmallCap:	409.28 (-8.33, -2.0%)
Nasdaq Comp:	2565.70 (-30.66, -1.2%)
Russell 2000:	775.79 (-17.07, -2.2%)
MARKET INDICATORS	
Strong Sectors:	Energy, Utilities, Materials, Health Care
Weak Sectors:	Financials, Telecom Svcs., Retail, Industrials
NYSE Advance/Decline:	1,273 / 2,229
NYSE New Highs/New Lows:	96 / 102
AAll Bulls/Bears:	38.4% / 42.4%

US stocks fell for the holiday-shortened week as Friday's much weaker-than-expected monthly employment report suggested the economy is threatened by troubles emanating from the subprime mortgage meltdown. July pending home sales saw a record drop, homebuilder **Beazer Homes USA** received a default notice from bondholders and **Countrywide Financial** announced plans to cut 12,000 jobs. On the other hand, back-to-school retail sales were better than anticipated overall and particularly at **Wal-Mart** and **Saks**. Data on the manufacturing sector showed a continuation of growth in August. Investors rotated into defensive sectors including consumer staples and health care during Friday's sell-off. Energy stocks were strong as crude oil added 3.5% to \$76.70/bbl. Gold advanced to a 16-month high passing \$700/oz. Earnings troubles came to light at **Harley-Davidson**, **Office Depot**, **Tyson Foods** and **Campbell Soup**. **Apple** cut the price of the iPhone by \$200, startling investors. In merger news, **MetroPCS Wireless** announced a bid worth \$5.5 billion to acquire **Leap Wireless**. Looking ahead, the coming week brings a few data points that could help shed light on the condition of the economy. Readings on retail sales, industrial production and consumer sentiment are due out in the days ahead. Investors will also be closely attuned to scheduled speeches from Fed officials. As the probability of a cut in the federal funds rate has apparently increased to certainty following Friday's data, investors may soon look to take position in beaten-down financials and other economically-sensitive sectors of the stock market.

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

US Economy and Credit Markets	
YIELDS AND WEEKLY CHANGES:	
3 Mo. T-Bill:	4.05 (-05 bps)
6 Mo. T-Bill:	4.18 (-02 bps)
2 Yr. T-Note:	3.89 (-24 bps)
3 Yr. T-Note:	3.90 (-24 bps)
5 Yr. T-Note:	4.02 (-22 bps)
10 Yr. T-Note:	4.37 (-15 bps)
30 Yr. T-Bond:	4.69 (-13 bps)
GNMA (30 Yr) 8% Coupon:	103-28/32 (6.51%)
Duration:	3.22 years
30 Year Insured Revs:	98.7% of 30 Yr. T-Bond
Bond Buyer 40 Yield:	4.88% (-03 bps)
Crude Oil Futures:	76.70 (+2.66)
Gold Futures:	703.20 (+27.40)
Merrill Lynch High Yield Indices:	
BB, 7-10 Yr.	7.81% (-01 bps)
B, 7-10 Yr.	8.87% (-02 bps)

Treasury prices seesawed throughout the week before a rally to close the week left the yield of the benchmark 10-Year Note at its lowest level since January 2006. The biggest market mover of the week was the employment report for August, which showed a decline of 4,000 in nonfarm payrolls, the first decline since August 2003. Along with more weak housing data, the jobs data fueled speculation that the Fed will cut its target funds rate when it meets on the 18th of September. Not all of the data from the economy was negative, as the ISM index showed that manufacturing continued to grow in August, albeit at levels slightly below prior months. In addition, the ISM survey of the service industry was unchanged, while forecasters has expected declines. Economic reports (and related consensus forecasts) for the coming week include: Monday: July Consumer Credit (\$8.0 billion); Tuesday: July Trade Balance (-\$59.0 billion); Thursday: Initial Jobless Claims (325,000), August Monthly Budget Statement (-\$81.7 billion); Friday: 2Q Current Account Balance (-\$190.0 billion), August Import Price Index (0.2%), August Advance Retail Sales (0.5%, Less Autos 0.2%), August Industrial Production (0.3%) and Capacity Utilization (82.0%), September preliminary U of Michigan Confidence (83.5), and July Business Inventories (0.3%).

Source: Bloomberg and Barron's