



Weekly Market Update

U.S. Stocks	
WEEKLY INDEX PERFORMANCE	
DJIA:	13357.74 (-21.13,-0.2%)
S&P 500:	1473.99 (-5.38,-0.4%)
S&P MidCap:	863.00 (-1.35,-0.2%)
S&P SmallCap:	417.61 (-2.84,-0.7%)
Nasdaq Comp:	2596.36 (+19.67,+0.8%)
Russell 2000:	792.86 (-6.07,-0.8 %)
MARKET INDICATORS	
Strong Sectors:	Technology, Consumer Discretionary, Energy
Weak Sectors:	Utilities, Financials, Telecommunications
NYSE Advance/Decline:	1,842 / 1,661
NYSE New Highs/New Lows:	76 / 99
AAll Bulls/Bears:	40.3% / 46.3%

U.S. stocks posted modest losses last week in volatile trading ahead of the long holiday weekend. Stocks were sharply lower Tuesday when Fed minutes revealed a continued focus on inflation (although with an awareness of credit market conditions) causing investors to step back from expectations of a near-term Fed rate cut. Wednesday brought a reversal of Tuesday's selling after Fed Chairman Bernanke gave indications the Fed would do what needs to be done to maintain a strong economy. Despite the week's losses, the broader market averages posted gains in August ending a two month losing streak. Technology shares led the way thanks to strong earnings prospects for the sector. **Apple** shares rose in anticipation of a potential upgraded iPod announcement at a meeting scheduled for this week. **Nokia** shares gained after introducing new handsets and an online music store initiative. Brokerage stocks were weak following several downgrades in the group on earnings concerns related to recent credit market turmoil. **Freddie Mac's** earnings fell 45% from the prior year due to bad loans. Home builders were under pressure as July homes sales fell and inventory of unsold homes hit a 16 year high. President Bush announced a federal program to help homeowners out of bad mortgages. **Altria** announced it will spin-off Philip Morris International. In merger news, **Gateway** will be acquired by **Lenovo** to form the 3rd largest computer maker. **Home Depot** reduced the price of its wholesale unit by almost \$2 billion to get the deal completed. Looking ahead, with little earnings related news scheduled all eyes will be on the week's economic data as investors attempt to glean insight into the health of the economy. Until the data more convincingly points to an economic slowdown, attractive valuations and global economic growth suggests equities remain an attractive asset class.

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

US Economy and Credit Markets	
YIELDS AND WEEKLY CHANGES:	
3 Mo. T-Bill:	4.10 (-12 bps)
6 Mo. T-Bill:	4.20 (-10 bps)
2 Yr. T-Note:	4.13 (-15 bps)
3 Yr. T-Note:	4.14 (-14 bps)
5 Yr. T-Note:	4.24 (-16 bps)
10 Yr. T-Note:	4.52 (-08 bps)
30 Yr. T-Bond:	4.82 (-06 bps)
GNMA (30 Yr) 8% Coupon:	103-28/32 (6.51%)
Duration:	3.18 years
30 Year Insured Revs:	98.1% of 30 Yr. T-Bond
Bond Buyer 40 Yield:	4.91% (-16 bps)
Crude Oil Futures:	74.04 (+2.95)
Gold Futures:	675.80 (+7.80)
Merrill Lynch High Yield Indices:	
BB, 7-10 Yr.	7.82% (unch.)
B, 7-10 Yr.	8.89% (+02 bps)

Yields in the Treasury market declined for the week, despite a slight rise to close the week following President Bush's pledge to aid troubled homeowners and a speech by Fed Chairman Ben Bernanke. The pressure on yields began Monday with more weak data from in the housing market; although existing home sales were roughly in line with forecasts, they were the lowest since November 2002. The drop in yields continued through the week, despite solid economic data, which was apparently not sufficient to quell ongoing credit concerns. Prices fell Friday on news of the president's proposal to take steps to stem the tide of foreclosures, as well as Bernanke noting that the Fed will "act as needed" to put the reins on the housing recession. Economic reports (and related consensus forecasts) for the coming week include: Tuesday: August ISM Manufacturing (53.0, Prices Paid 63.0) and August Total Vehicle Sales (15.7 million); Wednesday: Fed's Beige Book released; Thursday: 2Q Final Nonfarm Productivity (2.5%) and Unit Labor Costs (1.6%), Initial Jobless Claims (330,000), and August ISM Non-Manufacturing (54.5); Friday: August Employment Report, including, Change in Nonfarm Payrolls (+109,000), Unemployment Rate (4.6%), Average Hourly Earnings (0.3%), and Average Weekly Hours (33.8), and July Wholesale Inventories 0.4%.

Source: Bloomberg and Barron's