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For The Week Ended October 17, 2008
Weekly Market Commentary & Developments

US Economy and Credit Markets:

Yields and Weekly Changes:

3 Mo. T-Bill	0.79 (+61 bps)	**GNMA (30 Yr) 7% Coupon:** 103-18/32 (5.77%)	
6 Mo. T-Bill	1.22 (+41 bps)	**Duration:** 3.93 years	
1 Yr. T-Note	1.27 (+24 bps)	**30-Year Insured Revs**: 141.5% of 30 Yr. T-Bond	
2 Yr. T-Note	1.60 (-03 bps)	**Bond Buyer 40 Yield**: 6.69% (+15 bps)	
5 Yr. T-Note	2.81 (+06 bps)	**Crude Oil Futures**: 72.13 (-8.56)	
10 Yr. T-Bond	3.92 (+05 bps)	**Gold Futures**: 784.40 (-71.20)	
30 Yr. T-Bond	4.31 (+18 bps)	**Merrill Lynch High Yield Indices:**	
		BB, 7-10 Yr.	12.32% (+33 bps)
		B, 7-10 Yr.	17.14% (+05 bps)

Treasury prices were mostly negative for the week, with only the two-year note showing an increase as some of the fear in the market was alleviated and stock prices climbed for the week. In addition to a more positive view of the global financial markets, Treasury prices were dinged by the speculation that upcoming auctions will be larger than those in recent times in order to finance the government's bailout program and fears that excess supply would outstrip demand. Yields alternated between daily gains and losses, rising Tuesday following Monday's observance of Columbus Day in the first day of trading following Treasury Secretary Paulson's announcement that the U.S. government will fully guarantee newly-issued senior unsecured bank debt. Wednesday's weak retail sales report -- a 0.6% drop excluding autos as opposed to a forecast of a 0.2% drop -- pushed prices higher, before falling again on Thursday. Prices rose slightly on Friday after a sharp decline in consumer confidence. Economic reports (and related consensus forecasts) for the coming week include: Monday: September Leading Indicators (-0.1%); Thursday: Initial Jobless Claims (470,000) and August House Price Index (-0.5%); and Friday: September Existing Home Sales (4.95 million).

US Stocks:

Weekly Index Performance

DJIA	8852.22 (+401.03,+4.8%)
S&P 500	940.55 (+41.33,+4.6%)
S&P MidCap	555.01 (+5.16,+0.9%)
S&P Small Cap	282.33 (+0.10,+0.0%)
NASDAQ Comp	1711.29 (+61.78,+3.8%)
Russell 2000	526.43 (+3.95,+0.8%)

Market Indicators

Strong Sectors: Utilities, Health Care, Energy, Telecom Svcs.
Weak Sectors: Industrials, REIT's
NYSE Advance/Decline: 2,384 / 932
NYSE New Highs/New Lows: 4 / 567
AAII Bulls/Bears: 40.9% / 39.8%

US stocks rebounded from the prior week's drubbing as investors took a positive view of the US Treasury's move to take ownership stakes totaling $250 billion in nine financial institutions. Trading was extraordinarily volatile with each session featuring wide swings in the averages. Volatility was exacerbated by hedge fund liquidation and short-covering. Monday's record-setting 936-point gain in the DJIA followed a coordinated move by Eurozone countries to support banks. But Wednesday's session set records for losses. Still, the DJIA logged its best week since March 2003, the S&P 500 its best since January of this year. The modest improvement in credit markets as measured by easing in Libor lending rates helped investors to look past the week's grim economic data. Crude oil continued its descent on economic worries. **Morgan Stanley** shares more than doubled after the sale of a stake to a Japanese bank went through. **Citigroup** reported its fourth straight quarterly loss but results from **JPMorgan Chase** and **Wells Fargo** surpassed estimates. Earnings from **PepsiCo** missed estimates. PepsiCo's results contrasted with **Coca-Cola**'s as the Atlanta-based giant posted strong earnings gains. **Google** shares rose 12% as the company posted quarterly revenue and earnings growth of 31% and 26%, respectively. Looking ahead, corporate earnings reports are the main attraction this week. The markets will likely be attuned not so much to past results as to statements from executives about current conditions and what lies ahead. Meanwhile, volatility is likely to remain a feature of trading with many investors focused on Tuesday's payment date for credit default swaps sold on **Lehman Brothers** debt. Longer-term, attractive values are making themselves apparent to savvy investors like Warren Buffett. Sidelined cash may soon begin to make its way into beaten-down equities.