

For The Week Ended April 25, 2008

Weekly Market Commentary & Developments

US Economy and Credit Markets:

Yields and Weekly Changes:

3 Mo. T-Bill	1.35 (+01 bps)	GNMA (30 Yr) 8% Coupon: 105-26/32 (5.71%)
6 Mo. T-Bill	1.70 (+05 bps)	Duration: 3.20 years
2 Yr. T-Note	2.41 (+29 bps)	30-Year Insured Revs: 104.1% of 30 Yr. T-Bond
5 Yr. T-Note	3.16 (+27 bps)	Bond Buyer 40 Yield: 5.03% (+04 bps)
10 Yr. T-Note	3.86 (+15 bps)	Crude Oil Futures: 118.58 (+1.78)
30 Yr. T-Bond	4.59 (+09 bps)	Gold Futures: 887.20 (+25.00)
		Merrill Lynch High Yield Indices:
		BB, 7-10 Yr. 7.84% (-04 bps)
		B, 7-10 Yr. 10.19% (-12 bps)

Treasury prices fell for the week, with the two-year note leading the decline, showing its largest back-to-back weekly losses since 2001. Fears of looming inflation and increasing speculation that the global credit crisis is beginning to ease helped drive yields higher as investors sold government debt in favor of riskier securities. With the Fed's Open Market Committee set to meet Tuesday and Wednesday, forecasts are mixed as to whether the target rate will be cut once again. While most expect an additional 25 bps reduction in the rate, some believe that inflation concerns and the weakening dollar will cause the Fed to pause in its series of cuts, which have seen the rate dropped by three full percentage points since last fall. The other highly anticipated report for the week will be Friday's employment report, with forecasters seeing a decrease in nonfarm payrolls and an increase in the unemployment rate. Economic reports (and related consensus forecasts) for the coming week include: Wednesday: 1Q Advance GDP (Annualized) (0.4%, Price Index 3.0%), April Chicago Purchasing Manager Index (47.5), and FOMC Rate Decision expected (2.00%); Thursday: March Personal Income (0.4%) and Personal Spending (0.2%), Initial Jobless Claims (363,000), and April ISM Manufacturing Index (48.0, Prices Paid 83.5); Friday: April Total Vehicle Sales (15.1 million), April Employment Report, including Change in Nonfarm Payrolls (-78,000), Unemployment Rate (5.2%), Average Hourly Earnings (0.3%), and Average Weekly Hours (33.7), and March Factory Orders (0.2%).

US Stocks:

Weekly Index Performance

DJIA	12891.86 (+42.50,+0.3%)
S&P 500	1397.84 (+7.51,+0.5%)
S&P MidCap	843.82 (+9.12,+1.1%)
S&P Small Cap	381.38 (+1.13,+0.3%)
NASDAQ Comp	2422.93 (+19.96,+0.8%)
Russell 2000	721.88 (+0.81,+0.1%)

Market Indicators

Strong Sectors:	Telecom, Financials, Retail, Technology
Weak Sectors:	Materials, Consumer Goods, Energy
NYSE Advance/Decline:	1,896 / 1,672
NYSE New Highs/New Lows:	196 / 123
AAII Bulls/Bears:	46.7% / 27.5%

US stocks moved higher for a second straight week as investors welcomed the mostly positive news on corporate earnings while looking past the ongoing troubles in the Financial sector. A mounting consensus the Federal Reserve may be nearing an end to interest rate cuts led to a rally in the dollar and a corresponding selloff in commodities. Crude oil was an exception, as prices nearly hit \$120/bbl at one point Tuesday before settling back. However, gold fell 2.7% on the week to below \$900/oz. Dour economic news including a plunge in monthly new home sales and a very weak reading on consumer sentiment failed to make a lasting impact on trading. **Apple's** quarterly report did not disappoint as the company reported revenues and earnings well above expectations. Despite cautious guidance, Apple shares rose 5% for the week. **Microsoft's** report wasn't as well received as revenues for Windows were lower than expected. Higher deliveries of commercial aircraft lifted **Boeing's** quarterly profits well past estimates. Airline shares fell on weak results from **UAL** and mounting fuel costs. **Bank of America** reported sharply lower profits on steep provisions for credit losses. **National City** joined the ranks of institutions raising capital with a \$7 billion discounted stake sold. **Starbucks** warned on quarterly and full-year profits and its shares tumbled to a four-year low. **Ford Motor** shares got a boost from the automaker's unexpected quarterly profit but later gave gains back after analysts issued downgrades. In merger news, **Liberty Mutual Group** agreed to buy **Safeco** for \$6.2 billion in cash. **Triarc** is buying **Wendy's** for \$2.3 billion in shares. Looking ahead, the coming week is again heavy in economic data and earnings reports, with an FOMC decision on interest rates thrown in for good measure. Assuming earnings season continues to pleasantly surprise, stocks could continue to rally should this week's data point to any outcome for the economy other than recession.