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For The Week Ended June 13, 2008
Weekly Market Commentary & Developments

US Economy and Credit Markets

Yields and Weekly Changes:

3 Mo. T-Bill	1.96 (+13 bps)	**GNMA (30 Yr) 8% Coupon:**	105-12/32 (5.97%)
6 Mo. T-Bill	2.28 (+31 bps)	**Duration:**	3.33 years
1 Yr. T-Note	2.60 (+50 bps)	**30-Year Insured Revs**:	99.4% of 30 Yr. T-Bond
2 Yr. T-Note	3.02 (+63 bps)	**Bond Buyer 40 Yield**:	5.24% (unch)
5 Yr. T-Note	3.72 (+53 bps)	**Crude Oil Futures**:	134.70 (-4.05)
10 Yr. T-Bond	4.25 (+33 bps)	**Gold Futures**:	870.30 (-25.10)
30 Yr. T-Bond	4.78 (+15 bps)	**Merrill Lynch High Yield Indices:**	
		BB, 7-10 Yr.	8.23% (+17 bps)
		B, 7-10 Yr.	10.32% (+11 bps)

With Fed officials indicating that their focus will turn from encouraging growth to stemming inflation, Treasury prices fell sharply for the week. With the change in focus, shorter-term notes, which are more susceptible to the pressures of inflation, saw their yields rise sharply; the two-year note had its biggest weekly jump in yield since August 1982. In addition, the yield on the benchmark 10-year note hit its highest level of the year. The decline in prices was also spurred in part by the strong growth in retail sales, which easily beat forecasts, both overall and when excluding the volatile automobile sector. In addition, while the headline Consumer Price Index increase slightly exceeded forecasted levels, the core number (which excludes food and energy prices) matched expectations with a 0.2% increase. First-time jobless claims rose sharply for the week, but the more stable four-week average declined slightly. Economic reports (and related consensus forecasts) for the coming week include: Tuesday: 1Q Current Account Balance (-$173.0 billion), May Producer Price Index (1.0%, less Food & Energy 0.2%), May Housing Starts (980,000), and May Industrial Production (0.1%) and Capacity Utilization (79.7%); and Thursday: Initial Jobless Claims (375,000), June Philadelphia Fed Report (-10.0), and May Leading Indicators (unch.).

US Stocks

Weekly Index Performance

DJIA	12307.35 (+97.54,+0.8%)
S&P 500	1360.03 (-0.65,-0.0%)
S&P MidCap	865.63 (-8.12,-0.9%)
S&P Small Cap	387.05 (-3.14,-0.8%)
NASDAQ Comp	2454.50 (-20.06,-0.8%)
Russell 2000	733.61 (-6.76,-0.9%)

Market Indicators

Strong Sectors: Utilities, Consumer Discretionary, Materials
Weak Sectors: Telecomm, Health Care, Financials
NYSE Advance/Decline: 907 / 2,215
NYSE New Highs/New Lows: 106 / 330
AAII Bulls/Bears: 31.3% / 53.6%

US stocks ended the week slightly to the downside despite a Friday rally that erased most of the week's losses. Larger cap stocks generally fared better than smaller cap stocks for the week. Financial shares once again were in the news and were among the laggards for the week. **Lehman** shares fell over 20% as the firm announced a large quarterly loss, raised $6 billion in new capital and replaced its CFO and COO. **Apple** announced plans for $200 3G iPhone although the news failed to inspire investors and the shares finished the week 7% lower. **Yahoo**! announced a search advertising partnership with **Google**, effectively ending **Microsoft's** bid for the company. May retail sales surprised to the upside, likely helped by tax rebate checks. **McDonald's** shares jumped after reporting strong May same-store-sales results. In merger news, after weeks of speculation, **InBev** made a $46 billion unsolicited offer for **Anheuser-Busch**. In an effort to thwart the unwanted offer, **Anheuser-Busch** announced it is considering purchasing the remaining part of **Grupo Modelo** it does not already own. **Invitrogen** announced a $6.7 billion offer for **Applied Biosystems**. Looking ahead, the battered financial sector will be in focus this week as several brokers report earnings, among them **Goldman Sachs**, **Lehman Brothers** and **Morgan Stanley**. Stocks could be due for a bounce should reports not be as bad as feared although investors will likely have to gain more confidence in the stability of the financial sector before equities can mount a sustainable move higher.