

**For The Week Ended July 11, 2008**  
**Weekly Market Commentary & Developments**

**US Economy and Credit Markets:**
**Yields and Weekly Changes:**

<b>3 Mo. T-Bill</b>	1.58 (-25 bps)	<b>GNMA (30 Yr) 8% Coupon:</b> 105-27/32 (5.90%)
<b>6 Mo. T-Bill</b>	2.01 (-06 bps)	<b>Duration:</b> 3.34 years
<b>1 Yr. T-Note</b>	2.27 (-01 bps)	<b>30-Year Insured Revs:</b> 105.0% of 30 Yr. T-Bond
<b>2 Yr. T-Note</b>	2.60 (+07 bps)	<b>Bond Buyer 40 Yield:</b> 5.10% (-04 bps)
<b>5 Yr. T-Note</b>	3.28 (unch)	<b>Crude Oil Futures:</b> 145.08 (-0.21)
<b>10 Yr. T-Bond</b>	3.95 (-02 bps)	<b>Gold Futures:</b> 960.60 (+27.00)
<b>30 Yr. T-Bond</b>	4.54 (unch)	<b>Merrill Lynch High Yield Indices:</b>
		<b>BB, 7-10 Yr.</b> 8.69% (+16 bps)
		<b>B, 7-10 Yr.</b> 11.11% (+25 bps)

With a relatively limited calendar of economic reports scheduled to be released, news regarding the financial condition of Fannie Mae and Freddie Mac heavily influenced trading in fixed-income markets last week. Treasuries rallied Monday after concerns that these GSEs may need to raise a combined \$75 billion of additional capital sparked heavy selling in the mortgage market. Governments generally trended higher for the next several trading days but began to sell-off sharply Friday after a news report stated that the Fed would permit Fannie Mae and Freddie Mac to utilize the Central Bank's emergency loan facility to raise funds -- reinforcing the view of traders and investors that the government would not allow the GSEs to fail. Economic reports (and related consensus forecasts) for the coming week include: Tuesday: June PPI (1.3%, less food and energy 0.3%), June Advance Retail Sales (0.4%), Empire State Manufacturing Survey (-8.0) and May Business Inventories (0.5%); Wednesday: June CPI (0.7%, less food and energy 0.2%), June Industrial Production (0.0%), June Capacity Utilization (79.4%) and minutes of June FOMC meeting; and Thursday: Initial Jobless Claims (380,000), June Housing Starts (960,000), June Building Permits (965,000) and Philadelphia Fed Business Outlook Survey (-15.0).

**US Stocks:**
**Weekly Index Performance**

<b>DJIA</b>	11100.54 (-188.00,-1.7%)
<b>S&amp;P 500</b>	1239.49 (-23.41,-1.9%)
<b>S&amp;P MidCap</b>	787.78 (+0.98,+0.1%)
<b>S&amp;P Small Cap</b>	354.01 (+2.06,+0.6%)
<b>NASDAQ Comp</b>	2239.08 (-6.30,-0.3%)
<b>Russell 2000</b>	674.95 (+9.17,+1.4%)

**Market Indicators**

<b>Strong Sectors:</b>	Materials, Health Care, Industrials
<b>Weak Sectors:</b>	Financials, Consumer Discretionary, Energy
<b>NYSE Advance/Decline:</b>	1,170 / 2,132
<b>NYSE New Highs/New Lows:</b>	27 / 1,127
<b>AAll Bulls/Bears:</b>	22.2% / 55.2%

US stocks crossed the threshold into bear market territory, declining on new highs for oil and on concern the government would need to rescue mortgage giants **Fannie Mae** and **Freddie Mac**. The weekly losing streak for the S&P 500 and Nasdaq Composite stretched to six while the DJIA sank to its fourth straight losing week. Friday's session featured wild swings on heavy trading volume as traders reacted to the latest rumors and statements surrounding the GSE's. Fannie and Freddie each fell more than 45% on the week. An analyst report speculated a pending accounting change could force the companies to raise new capital. A press report stated the government was investigating taking over the firms. Treasury Secretary Paulson made statements of support for Fannie and Freddie in their current form. **IndyMac Bancorp** fell into the hands of regulators following a liquidity crisis. Meanwhile, oil prices staged a late-week rally on supply worries and missile tests by Iran. **Alcoa's** quarterly results were better than expected though its forecast was muted. **General Electric** calmed worries with in-line results. GE announced it would explore spinning off its consumer and industrial unit while also announcing the sale of its Japanese consumer lending business for \$5.4 billion. **Dow Chemical** agreed to buy **Rohm & Haas** for \$15.3 billion. **Walgreen** shares rose as investors applauded the company's plan to dial back expansion. June sales at retailers were mixed. Discounters including **Wal-Mart** reported strong gains but department stores including **Nordstrom** suffered. Over the weekend, **InBev NV** agreed to buy **Anheuser-Busch** for \$52 billion. The Federal government announced new measures of support for Fannie and Freddie. Looking ahead, monthly inflation data, second-quarter earnings reports from Financial and Technology leaders and speeches from Fed Chairman Bernanke all compete for attention with the latest developments concerning the GSE's in the days ahead. Stocks appear to be beaten-down but investors may require some sign of a bottom in the Financials before a broad market recovery may be possible.