

For The Week Ended July 25, 2008
Weekly Market Commentary & Developments

US Economy and Credit Markets:
Yields and Weekly Changes:

3 Mo. T-Bill	1.72 (+26 bps)	GNMA (30 Yr) 8% Coupon: 105-17/32 (6.02%)
6 Mo. T-Bill	1.93 (+02 bps)	Duration: 3.34 years
1 Yr. T-Note	2.29 (+05 bps)	30-Year Insured Revs: 106.8% of 30 Yr. T-Bond
2 Yr. T-Note	2.70 (+06 bps)	Bond Buyer 40 Yield: 5.34% (+05 bps)
5 Yr. T-Note	3.44 (+03 bps)	Crude Oil Futures: 123.30 (-5.58)
10 Yr. T-Bond	4.11 (+02 bps)	Gold Futures: 926.80 (-31.20)
30 Yr. T-Bond	4.69 (+04 bps)	Merrill Lynch High Yield Indices:
		BB, 7-10 Yr. 8.65% (-05 bps)
		B, 7-10 Yr. 11.01% (-06 bps)

Reports released earlier in the week seemed to point toward continued economic weakness: leading indicators declined in June (with a downward revision for May) and existing home sales (and prices) fell further last month. Traders and investors also had to contend with the heavy supply of new Treasuries auctioned during the week. A combined total of \$58 billion 20-year TIPS and Two- and Five-year Notes were sold (each note issue was \$1 billion greater than last month). However, additional data released Friday suggested a decidedly less bleak economic outlook. Durable goods orders for June increased unexpectedly (largely the result of record exports) and orders for May were revised upward. Other reports showed June new home sales declined less than anticipated and consumer confidence rose in July – the first up-tick since January. Economic reports (and related consensus forecasts) for the coming week include: Tuesday: July Conference Board Survey (50.0); Wednesday: July ADP Employment Change (-53,000); Thursday: Initial Jobless Claims (390,000), 2Q GDP (2.0%), 2Q Personal Consumption (1.4%), 2Q Employment Cost Index (0.7%) and July Chicago Purchasing Managers Index (49.0); Friday: July ISM Manufacturing Index (49.2), July Construction Spending (-0.3%) and the July Jobs Report, including, Unemployment Rate (5.6%), Change in Non-farm Payrolls (-75,000) and Avg. Hourly Earnings (0.3%).

US Stocks:
Weekly Index Performance

DJIA	11370.69 (-125.88,-1.1%)
S&P 500	1257.76 (-2.92,-0.2%)
S&P MidCap	795.54 (-4.84,-0.6%)
S&P Small Cap	370.02 (+6.53,+1.8%)
NASDAQ Comp	2310.53 (+27.75,+1.2%)
Russell 2000	710.34 (+17.26,+2.5%)

Market Indicators

Strong Sectors:	Health Care, Consumer Staples, Industrials
Weak Sectors:	Energy, Utilities, Telecom
NYSE Advance/Decline:	1,932 / 1,366
NYSE New Highs/New Lows:	74 / 176
AAII Bulls/Bears:	35.8% / 44.0%

US stocks were mixed as a nascent recovery off recent lows ran into resistance in the form of downbeat economic data and renewed worries over the Financials. A 4.8% decline in crude oil prices was a positive development that limited the market's downside save for Energy shares. On Thursday, major averages fell 2% or more after data on existing home sales in June showed a steeper than expected decline while weekly initial jobless claims rose above 400,000. Friday's data on durable goods orders and new home sales were more encouraging. In general, defensive stocks outshone cyclicals for the week. Small stocks outshone large stocks. Financials were mixed. **Bank of America** reported earnings ahead of estimates and kept its dividend intact. **Washington Mutual's** quarterly results stirred up liquidity concerns. **Wachovia's** sizable quarterly loss was not as bad as expected but the bank slashed its dividend and the CFO resigned. Earnings at **American Express** fell short of estimates. Elsewhere, **Apple's** results were fine but its forecast disappointed investors. **Texas Instruments' guidance** likewise left investors cold. But Technology shares got a boost from the settlement of a longstanding patent dispute between **Qualcomm** and **Nokia**. **Ford Motor's** quarterly loss registered \$8.7 billion. Rising energy prices were behind **Costco's** lowered outlook. **Amazon** shares rose 13% on strong results. Japan's **Tokio Marine Holdings** announced it would buy **Philadelphia Consolidated Holding** for \$4.7 billion. **Teva Pharmaceutical** agreed to buy competitor **Barr** for \$7.5 billion. **Roche Holding AG** made a \$44 billion offer for the remainder of majority-owned **Genentech**. Looking ahead, the coming week is again rich in earnings reports and economic data, including the first reading on second-quarter GDP. Should the GDP data confirm the economy's resilience, investors may warm to the case for stocks particularly if the recent trend to lower energy prices continues.