

For The Week Ended August 15, 2008
Weekly Market Commentary & Developments

US Economy and Credit Markets:
Yields and Weekly Changes:

3 Mo. T-Bill	1.83 (+14 bps)	GNMA (30 Yr) 8% Coupon: 105-26/32 (6.08%)
6 Mo. T-Bill	1.97 (+03 bps)	Duration: 3.38 years
1 Yr. T-Note	2.09 (-08 bps)	30-Year Insured Revs: 100.4% of 30 Yr. T-Bond
2 Yr. T-Note	2.38 (-11 bps)	Bond Buyer 40 Yield: 5.24% (-08 bps)
5 Yr. T-Note	3.10 (-09 bps)	Crude Oil Futures: 113.72 (-1.27)
10 Yr. T-Bond	3.83 (-10 bps)	Gold Futures: 785.30 (-72.50)
30 Yr. T-Bond	4.46 (-07 bps)	Merrill Lynch High Yield Indices:
		BB, 7-10 Yr. 8.70% (-02 bps)
		B, 7-10 Yr. 11.30% (-07 bps)

Treasury yields fell for the week, with the benchmark ten-year note rising in price for the third straight week. With commodity prices falling, most notably oil and gold, speculation is growing that the Fed will leave interest rates untouched through the end of the year. Prices fell Monday, with a drop in crude oil prices influencing the move. Ongoing effects of the credit crisis and renewed concern over the health of banks helped drive Treasury prices higher Tuesday. Despite retail sales that failed to meet expectations and higher import prices, Treasuries declined Wednesday. Prices rebounded Thursday as first-time jobless claims rose and both overall and "core" consumer inflation figures exceeded forecasts. The rise in prices continued Friday with the decline in commodity prices being felt by the market once again. With the moderating of commodity prices, the fears of inflation that have been looming have eased to a degree, increasing the possibility that the Fed will remain on the sidelines for the foreseeable future -- a situation that benefits fixed income securities. Economic reports (and related consensus forecasts) for the coming week include: Tuesday: July Producer Price Index (0.6%, ex Food & Energy 0.2%) and July Housing Starts (960,000); and Thursday: Initial Jobless Claims (440,000), August Philadelphia Fed report (-14.0), and July Leading Indicators (-0.2%).

US Stocks:
Weekly Index Performance

DJIA	11659.90 (-74.42,-0.6%)
S&P 500	1298.20 (+1.88,+0.2%)
S&P MidCap	821.84 (+7.90,+1.0%)
S&P Small Cap	395.80 (+9.57,+2.5%)
NASDAQ Comp	2452.52 (+38.42,+1.6%)
Russell 2000	753.37 (+19.07,+2.6%)

Market Indicators

Strong Sectors:	Retail, Consumer Goods, Telecom, Technology
Weak Sectors:	Financials, Mining & Metals, Energy, Utilities, Railroads
NYSE Advance/Decline:	1,702 / 1,579
NYSE New Highs/New Lows:	122 / 145
AAII Bulls/Bears:	42.9% / 39.0%

US stocks ended mixed as more disappointing news from the Financials offset positives including lower prices for commodities and a strengthening US dollar. Crude oil fell 1.2% touching its lowest price since May 2nd. The dollar touched a six-month high versus the euro. Gold fell 8.4%. Technology shares and small-cap stocks benefited from buying interest as investors continued to turn away from commodity-related issues. **Wal-Mart's** higher sales and profits confirmed it is winning share from up-market rivals. Retail shares rose despite downbeat comments from several companies suggesting bad news may be priced in. **JC Penney** shares advanced 12% despite the company reporting a 36% drop in profits. Among Financials, **JPMorgan Chase** announced a \$1.5 billion write-down of mortgage-backed securities. **Wachovia** announced a \$8.8 billion buyback of auction rate securities. Elsewhere, **Deere's** quarterly results fell short of estimates on higher material costs. **SunPower** shares surged 26% on news it will participate in a large scale solar power project. **CVS Caremark** announced it would acquire **Longs Drug Stores** for \$2.9 billion in cash. Looking ahead, the coming week features a dwindling number of quarterly earnings reports though reports from retailers including **Home Depot**, **Lowe's** and **Target** are due out. A key reading on producer prices is also set for release, though the recent tumble in commodities may lessen the impact of an elevated reading. With recent data from economies in Europe and Asia pointing to recession, US stocks may look increasingly attractive to investors worldwide.