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For The Week Ended August 22, 2008
Weekly Market Commentary & Developments

US Economy and Credit Markets

Yields and Weekly Changes:

3 Mo. T-Bill	1.69 (-14 bps)	**GNMA (30 Yr) 8% Coupon:**	105-22/32 (6.13%)
6 Mo. T-Bill	1.95 (-02 bps)	**Duration:**	3.38 years
1 Yr. T-Note	2.14 (+05 bps)	**30-Year Insured Revs**:	110.5% of 30 Yr. T-Bond
2 Yr. T-Note	2.40 (+02 bps)	**Bond Buyer 40 Yield**:	5.30% (+06 bps)
5 Yr. T-Note	3.13 (+03 bps)	**Crude Oil Futures**:	114.72 (+1.00)
10 Yr. T-Bond	3.86 (+03 bps)	**Gold Futures**:	827.40 (+42.10)
30 Yr. T-Bond	4.46 (unch.)	**Merrill Lynch High Yield Indices:**	
		BB, 7-10 Yr.	8.77% (+07 bps)
		B, 7-10 Yr.	11.36% (+06 bps)

Treasury prices fell for the week, although they closed little changed from their levels at the beginning of the week. Prices rose Monday and Tuesday as fears relating to the potential recapitalization of government-sponsored mortgage purchasers Fannie Mae and Freddie Mac by the Treasury helped drive stocks down and sent buyers to the safety of Treasury debt. In addition to continuing concerns with Fannie Mae and Freddie Mac, evidence that the U.S. slowdown is being felt in Europe also helped move Treasuries higher on Wednesday. After a stronger-than-expected report of first-time unemployment claims, prices fell on Thursday. The slide continued Friday as Fed Chairman Ben Bernanke said that slow economic growth would help stem inflation. Upcoming auctions of two- and five-year Treasuries also hurt demand Friday. Economic reports (and related consensus forecasts) for the coming week include: Monday: July Existing Home Sales (4.91 million); Tuesday: July New Home Sales (525,000) and Minutes of Aug. 5 FOMC Meeting released; Wednesday: July Durable Goods Orders (0.0%, less Transportation -0.6%); Thursday: 2Q Preliminary GDP (2.7%, Price Index 1.1%) and Initial Jobless Claims (425,000); and Friday: July Personal Income (-0.2%) and Personal Spending (0.3%), August Chicago Purchasing Manager Index (50.0), and August Final U of Michigan Confidence (62.0).

US Stocks

Weekly Index Performance

DJIA	11628.06 (-31.84,-0.3%)
S&P 500	1292.20 (-6.00,-0.5%)
S&P MidCap	814.92 (-6.92,-0.8%)
S&P Small Cap	387.46 (-8.34,-2.1%)
NASDAQ Comp	2414.71 (-37.81,-1.5%)
Russell 2000	737.60 (-15.77,-2.1%)

Market Indicators

Strong Sectors: Energy, Utilities, Materials
Weak Sectors: Financials, Consumer Discretionary, Industrials
NYSE Advance/Decline: 1,234 / 2,042
NYSE New Highs/New Lows: 47 / 223
AAII Bulls/Bears: 38.1% / 37.3%

US stocks lost ground last week as government data showed continued inflation pressures and fears about the health of our financial system once again came to the fore. July producer prices came in higher than forecast stoking inflation concerns. Fed Chairman Bernanke tried to dismiss the fears late in the week and sent stocks higher after commenting that he sees inflation moderating over the coming months. **Fannie Mae** and **Freddie Mac** both plummeted on reports that government intervention is likely in the near term. **Lehman Brother's** shares sank early in the week as analysts predicted further write-offs and the need to raise more capital. The shares rebounded late in the week on rumors a Korean bank was interested in acquiring the firm. A couple of major research firms cut estimates across the bank and brokerage space putting further pressure on the group. Energy & materials shares were among the market leaders as commodities prices paused from their recent retreat. **Hewlett-Packard** posted strong earnings and raised its forecast for the year. Retail earnings were a mixed bag. **Target** reported a year-over-year earnings decline yet results were ahead of forecasts. **Home Depot** likewise beat estimates that were lower than the year earlier results and reiterated its forecast for the year. Looking ahead, the coming week brings several economic reports, including Fed minutes, 2Q GDP and consumer sentiment, that will be closely watched. A handful of retailers also report results which will give investors a fresh look at the state of consumer spending. While headlines continue to cast a negative mood over the market, US equities compare favorably to other asset classes for patient investors with a longer term outlook.