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For The Week Ended September 12th, 2008
Weekly Market Commentary & Developments

US Economy and Credit Markets:

Yields and Weekly Changes:

3 Mo. T-Bill	1.48 (-20 bps)	**GNMA (30 Yr) 7% Coupon:**	105-2/32 (4.99%)
6 Mo. T-Bill	1.83 (-06 bps)	**Duration:**	3.78 years
1 Yr. T-Note	1.99 (-03 bps)	**30-Year Insured Revs:**	113.0% of 30 Yr. T-Bond
2 Yr. T-Note	2.20 (-03 bps)	**Bond Buyer 40 Yield:**	5.37% (+02 bps)
5 Yr. T-Note	2.94 (+03 bps)	**Crude Oil Futures:**	106.44 (-90.9)
10 Yr. T-Bond	3.71 (+06 bps)	**Gold Futures:**	802.40 (-29.70)
30 Yr. T-Bond	4.31 (+04 bps)	**Merrill Lynch High Yield Indices:**	
		BB, 7-10 Yr.	8.80% (+14 bps)
		B, 7-10 Yr.	11.39% (+13 bps)

With the continuing turmoil in the financial sector and the federal government seizing control of Fannie Mae and Freddie Mac, prices for Treasurys were mixed for the week. Prices were higher at the short end of the yield curve, with the yield of the three-month Treasury bill closing at its lowest level since mid-July. The rise in prices for shorter-maturity debt was caused in part by growing speculation that the Fed will cut interest rates by year-end as a means to spur the economy. The decline in prices at the longer end of the curve were caused in part by the government control of Fannie Mae and Freddie Mac--as it became clear that the debt would be paid in full, the flight to the safety of Treasurys slowed and investors sought the higher yields of the mortgage debt. In other news from the economy, retail sales fell unexpectedly; forecasters had seen a decline of 0.2%, but sales fell by 0.7% (excluding autos). Economic reports (and related consensus forecasts) for the coming week include: Monday: August Industrial Production (-0.3%) and Capacity Utilization (79.6%); Tuesday: August Consumer Price Index (-0.1%, less Food & Energy 0.2%), FOMC Rate Decision expected (2.00%); Wednesday: 2Q Current Account Balance (-$179.9 billion) and August Housing Starts (950,000); Thursday: Initial Jobless Claims (440,000), September Philadelphia Fed report (-10.0), and August Leading Indicators (-0.2%).

US Stocks:

Weekly Index Performance

DJIA	11421.99 (+201.03,+1.8%)
S&P 500	1251.70 (+9.39,+0.8%)
S&P MidCap	788.48 (+2.81,+0.4%)
S&P Small Cap	381.09 (+3.64,+1.0%)
NASDAQ Comp	2261.27 (+5.39,+0.2%)
Russell 2000	720.26 (+1.41,+0.2%)

Market Indicators

Strong Sectors: Consumer Goods, Utilities, Transports, Health Care
Weak Sectors: Financials, Telecom Svcs., Mining & Metals
NYSE Advance/Decline: 1,271 / 2,033
NYSE New Highs/New Lows: 90 / 605
AAII Bulls/Bears: 29.3% / 54.9%

US stocks posted gains for the first week in four, the net result of five volatile trading sessions. The government's injection of public funds into **Fannie Mae** and **Freddie Mac** gave the market a lift to open the week, but optimism gave way to worries over the health of other financial institutions including **Lehman Brothers**, **American International Group**, **Merrill Lynch** and **Washington Mutual**. Lehman shares tumbled 77% as its plan to replenish capital by spinning off real estate assets and auctioning off its investment management unit failed to win wide support. At week's end, Lehman was actively seeking to be acquired. AIG shares tumbled 46% for the week. Merrill shares fell 36%. WaMu replaced its CEO and told investors it had enough capital, but rating agencies downgraded the bank. WaMu shares declined 36%. Fannie and Freddie common shares became virtually worthless following the government's actions. Crude oil prices fell 4.8%, at one point to below $100/bbl. Hurricane Ike's advance on the Gulf Coast had oil and energy shares trading higher Friday, however. Consumer-related shares fared best as oil's continued fall and lower mortgage rates buoyed hopes for a bounce in spending, despite the week's grim news on August retail sales. **FedEx** announced its quarterly profits would come in higher than expected on lower fuel costs. **General Motors** shares climbed 21% on the company's improved prospects for securing government funding for development of fuel-efficient vehicles. **Apple** CEO Jobs' new product announcements were largely as anticipated and Apple shares traded lower in their wake. Looking ahead, investors will likely be on edge over potential developments in the financial sector over the weekend, not to mention the effects of Hurricane Ike on energy markets. The FOMC meeting and decision on interest rates also figures in the mix. Markets are likely to be volatile in the early going this week, but attractive values may emerge from the carnage as many sectors and stocks are likely to suffer collateral damage in the selling.