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For The Week Ended August 29, 2008
Weekly Market Commentary & Developments

US Economy and Credit Markets:

Yields and Weekly Changes:

3 Mo. T-Bill	1.71 (+02 bps)	**GNMA (30 Yr) 8% Coupon:**	105-27/32 (6.03%)
6 Mo. T-Bill	1.94 (-01 bps)	**Duration:**	3.37 years
1 Yr. T-Note	2.16 (+02 bps)	**30-Year Insured Revs**:	112.0% of 30 Yr. T-Bond
2 Yr. T-Note	2.36 (-03 bps)	**Bond Buyer 40 Yield**:	5.32% (+01 bps)
5 Yr. T-Note	3.08 (-05 bps)	**Crude Oil Futures**:	115.53 (+0.94)
10 Yr. T-Bond	3.81 (-05 bps)	**Gold Futures**:	832.10 (+4.70)
30 Yr. T-Bond	4.42 (-04 bps)	**Merrill Lynch High Yield Indices:**	
		BB, 7-10 Yr.	8.72% (-05 bps)
		B, 7-10 Yr.	11.32% (-04 bps)

Treasuries were mostly higher for the week and benchmark yields in the two- to 30-year maturity range declining about 14 bps for the month. Economic reports showed that durable goods orders increased in July and 2Q GDP was expectedly strong (3.3% annualized). However, July personal income and spending declined – suggesting the potential for weaker GDP growth in future quarters. Core inflation for July remained above the Fed's 2.0% tolerance level and, according to the minutes of the August 5 FOMC meeting, the consensus view among Fed policy makers was that rates will be increased in the future -- the timing of any subsequent increase was uncertain. Fixed-income markets closed early Friday in advance of the long Labor Day holiday weekend. Economic reports (and related consensus forecasts) for the coming week include: Tuesday: August ISM Manufacturing Index (49.6) and July Construction Spending (-0.5%); Wednesday: July Factory Orders (1.0%) and Fed Beige Book; Thursday: 2Q Final Nonfarm Productivity (3.0%), 2Q Final Unit Labor Costs (0.6%), Initial Jobless Claims (423,000); and August ISM Non-Manufacturing Index (49.5); and Friday: August Jobs Report, including, Change in Nonfarm Payrolls (-71,000), Unemployment Rate (5.7%) and Average Hourly Earnings (0.3%).

US Stocks:

Weekly Index Performance

DJIA	11543.55 (-84.51,-0.7%)
S&P 500	1282.83 (-9.37,-0.7%)
S&P MidCap	815.60 (+0.68,+0.1%)
S&P Small Cap	387.35 (-0.11,-0.0%)
NASDAQ Comp	2367.52 (-47.19,-2.0%)
Russell 2000	739.50 (+1.90,+0.3%)

Market Indicators

Strong Sectors: Financials, Telecom Svcs., Industrials, Utilities
Weak Sectors: Technology, Health Care, Consumer Staples
NYSE Advance/Decline: 2,082 / 1,201
NYSE New Highs/New Lows: 47 / 141
AAII Bulls/Bears: 30.7% / 45.5%

US stocks fell for a second straight week, though trading volumes were seasonally light and the major indexes hung on to solid gains for the month. Energy prices gyrated - crude oil ended the week up 0.8% - as traders fixated on the progress of tropical storm Gustav in the Caribbean. The middling performance of Energy shares suggested investors remained focused on the economy and the dollar and weren't willing to bet on a Katrina-like event. An upward revision to Q2 GDP following a strong durable goods report set the stage for a rally on Thursday but a weak personal spending report and an earnings miss from **Dell** weighed on the markets Friday. Despite posting impressive revenue growth, Dell's profits were pressured by higher spending and the company cautioned on demand going forward. Dell shares tumbled 14% for the week. Financials enjoyed a bounce. **Fannie Mae** and **Freddie Mac** shares surged 37% and 60% respectively as the prospects for a government bailout appeared to diminish. **MBIA** surged 60% on news it entered a reinsurance deal on favorable terms. On the other hand, the FDIC upwardly revised its estimate of the number of banks in danger of failing. Looking ahead, energy prices look set to fall in the early going this week as Gustav weakened after making landfall on Monday. Friday's employment report looms large on the calendar. At current prices, stocks appear to be well down the path of discounting a period of slower economic growth and tighter credit conditions.