

**For The Week Ended January 9, 2008**  
**Weekly Market Commentary & Developments**

**US Economy and Credit Markets:**

**Yields and Weekly Changes:**

<b>3 Mo. T-Bill</b>	0.06 (+01 bps)	<b>GNMA (30 Yr) 7% Coupon:</b> 104-26/32 (4.29%)
<b>6 Mo. T-Bill</b>	0.29 (+02 bps)	<b>Duration:</b> 2.77 years
<b>1 Yr. T-Note</b>	0.39 (+02 bps)	<b>30-Year Insured Revs:</b> 231.3% of 30 Yr. T-Bond
<b>2 Yr. T-Note</b>	0.74 (-09 bps)	<b>Bond Buyer 40 Yield:</b> 5.77% (-22 bps)
<b>3 Yr. T-Note</b>	1.10 (unch)	<b>Crude Oil Futures:</b> 40.62 (+5.50)
<b>5 Yr. T-Note</b>	1.50 (-19 bps)	<b>Gold Futures:</b> 853.70 (+23.80)
<b>10 Yr. T-Bond</b>	2.38 (-02 bps)	<b>Merrill Lynch High Yield Indices:</b>
<b>30 Yr. T-Bond</b>	3.04 (+22 bps)	<b>BB, 7-10 Yr.</b> 11.64% (-96 bps)
		<b>B, 7-10 Yr.</b> 15.19% (-141 bps)

Treasury prices were mixed for the week, with prices down slightly for the shortest maturities and the 30-year bond. Longer maturities showed rising yields Monday on concerns over the increasing issuance of debt both in the immediate future and to finance the anticipated stimulus package. Prices declined Tuesday as the yield on the benchmark 10-year note hit its highest level in a month. Prices fell again Wednesday, in part based on weaker-than-expected auction results for three-year notes. Ongoing high levels of continuing unemployment claims helped push prices higher on Thursday, and the gains continued Friday as the monthly employment report showed the economy lost 524,000 jobs in December, above forecasted levels. Economic reports (and related consensus forecasts) for the coming week include: Tuesday: November Trade Balance (-\$51.0 billion) and December Monthly Budget Statement (-\$83.0 billion); Wednesday: December Import Price Index (-5.3%), December Advance Retail Sales (-1.2%, Less Autos -1.4%), and November Business Inventories (-0.5%); Thursday: December Producer Price Index (-2.0%, Ex Food & Energy 0.1%); Initial Jobless Claims (500,000), and January Philadelphia Fed (-35.0); and Friday: December Consumer Price Index (-0.9%, Ex Food & Energy 0.1%), December Industrial Production (-1.0%) and Capacity Utilization (74.5%), and January Preliminary U of Michigan Confidence (59.0).

**US Stocks:**

**Weekly Index Performance**

<b>DJIA</b>	8599.18 (-435.51,-4.8%)
<b>S&amp;P 500</b>	890.35 (-41.45,-4.4%)
<b>S&amp;P MidCap</b>	530.51 (-20.83,-3.8%)
<b>S&amp;P Small Cap</b>	256.16 (-16.12,-5.9%)
<b>NASDAQ Comp</b>	1571.59 (-60.62,-3.7%)
<b>Russell 2000</b>	481.30 (-24.54,-4.9%)

**Market Indicators**

<b>Strong Sectors:</b> Materials, Technology, Utilities
<b>Weak Sectors:</b> Financials, Telecom, Consumer Staples
<b>NYSE Advance/Decline:</b> 1,701 / 1,528
<b>NYSE New Highs/New Lows:</b> 18 / 20
<b>AAll Bulls/Bears:</b> 48.7% / 35.1%

U.S. stocks retreated during the first full week of trading in the new year as data continued to point to a challenging economic environment. Unemployment claims continued to mount pushing the unemployment rate above 7%. December year-over-year auto sales plunged 32%, 53% and 31% for **Ford**, **Chrysler** and **GM**, respectively. December same-store retail sales fell almost 2%, the worst performance in several decades. **Wal-Mart** shares fell despite posting a gain in December same-store sales as results were lower than expected. Oil prices fell sharply on concerns of waning demand after their recent surge amid the rising conflict in the Middle East and the Russia/Ukraine gas dispute. Several prominent companies were out ahead of their upcoming earnings reports to warn of results below prior forecasts. **Intel** lowered its 4Q forecast for the second time in two months as chip demand weakened further in December. **Alcoa** announced a major restructuring that will involve cutting 13,000 jobs and lowering production. **Chevron** warned of lower results in the current quarter due to the drop in oil prices. **Monsanto** shares gained after the agriculture company reported results that handily surpassed estimates. Looking ahead, earnings season gets underway this week with a handful of reports. With near unanimous expectations for a difficult first half of the year, equities have a low bar to clear. Investors with a long-term outlook will likely find opportunities to pick up solid franchises with good long-term value as we move through earnings season.