

For The Week Ended October 9th, 2009
Weekly Market Commentary & Developments

US Economy and Credit Markets:

Yields and Weekly Changes:

3 Mo. T-Bill	0.06 (-02 bps)	GNMA (30 Yr) 6% Coupon: 105-26/32 (2.53%)
6 Mo. T-Bill	0.15 (+02 bps)	Duration: 2.99 years
1 Yr. T-Bill	0.34 (+01 bps)	30-Year Insured Revs: 165.4% of 30 Yr. T-Bond
2 Yr. T-Note	0.96 (+10 bps)	Bond Buyer 40 Yield: 5.00% (+07 bps)
3 Yr. T-Note	1.50 (+16 bps)	Crude Oil Futures: 72.30 (+2.35)
5 Yr. T-Note	2.34 (+14 bps)	Gold Futures: 1049.60 (+46.40)
10 Yr. T-Note	3.38 (+17 bps)	Merrill Lynch High Yield Indices:
30 Yr. T-Bond	4.22 (+23 bps)	BB, 7-10 Yr. 8.16% (-11 bps)
		B, 7-10 Yr. 9.76% (-21 bps)

Yields on Treasuries were higher across the width of the curve, with the gains steepest at the long end as stock prices showed strong gains. Prices opened higher Monday after a strong auction of inflation-protected debt. Prices were pressured Tuesday by a \$39 billion auction of three-year notes, the largest of that maturity ever. Positive response to Wednesday's \$20 billion auction of 10-year notes pushed prices higher, curbing fears that supply would exceed demand. That trend reversed Thursday, as a \$12 billion auction of 30-year bonds saw significantly lower demand than other recent auctions. Declines continued Friday amid supply concerns due to \$84 billion in bills and \$78 billion in notes auctioned for the week. Major economic reports (and related consensus forecasts) for next week include: Tuesday: September Monthly Budget Statement (-\$67.0 billion); Wednesday: September Import Price Index (0.1%), September Advance Retail Sales (-2.1%, less Autos 0.2%), August Business Inventories(-0.9%), and Minutes of Sept. 23 FOMC Meeting released; Thursday: September Consumer Price Index (0.2%, Ex Food & Energy 0.1%), Initial Jobless Claims (525,000), and October Philadelphia Fed Index (12.0); and Friday: September Industrial Production (0.1%) and Capacity Utilization (69.7%), and October Preliminary U of Michigan Confidence (73.0).

US Stocks:

Weekly Index Performance

DJIA	9864.94 (+377.27,+4.0%)
S&P 500	1071.49 (+46.28,+4.5%)
S&P MidCap	702.19 (+38.76,+5.8%)
S&P Small Cap	323.35 (+18.27,+6.0%)
NASDAQ Comp	2139.28 (+91.17,+4.5%)
Russell 2000	614.92 (+34.72,+6.0%)

Market Indicators

Strong Sectors:	Materials, Energy, Financials, Consumer Discretionary
Weak Sectors:	Telecom Svcs., Consumer Staples, Health Care, Utilities
NYSE Advance/Decline:	2,662 / 510
NYSE New Highs/New Lows:	684 / 8
AAII Bulls/Bears:	35.1% / 41.2%

US stocks returned to their recent winning ways, snapping a two-week downtrend. Buyers emerged after economic data showed improvement and **Alcoa** inaugurated third quarter earnings reporting season on a positive note. Stocks' advance came as the dollar fell to a 14-month low against other major currencies. Gold futures rose 4.5% and crude oil prices firmed. Adding to jitters over the dollar, Australia became the first major industrialized country to raise interest rates since the financial crisis began. Retailers posted a small same-store sales gain in September following a string of declines extending back over a year. The ISM non-manufacturing index came in better than expected. Weekly jobless claims declined to an eight-month low. Alcoa reported a quarterly profit instead of an expected loss. With the week's gains, trailing 12-month performance for the S&P 500 is now in positive territory. In other earnings news, **Costco** reported results ahead of expectations. **Yum! Brands'** profits were 18% higher on strong results overseas. **PepsiCo** beat earnings expectations but revenues were light. **St. Jude Medical** warned results wouldn't hit expectations. **Mosaic** missed its earnings target but the company appeared confident about 2010. **Emerson Electric** announced it would buy **Avocent Corporation** for \$1.2 billion. **ConocoPhillips** announced plans to shed assets and trim capital spending as it also hiked the dividend. Looking ahead, earnings will take center stage this week with a slew of bellwether companies set to report results. A handful of major banks are on the docket in the days ahead with earnings somewhat of a wildcard. Reports from **Intel**, **Google** and **Johnson & Johnson** will also attract plenty of attention. For stocks to continue to move higher from current levels, it could be that investors will need to see more companies demonstrating year-on-year revenue growth rather than simply cost-cutting their way past earnings expectations.