

For The Week Ended October 30, 2009
Weekly Market Commentary & Developments

US Economy and Credit Markets:**Yields and Weekly Changes:**

3 Mo. T-Bill	0.04 (-01 bps)	GNMA (30 Yr) 6% Coupon: 106-4/32 (2.69%)
6 Mo. T-Bill	0.15 (-01 bps)	Duration: 3.19 years
1 Yr. T-Bill	0.35 (-03 bps)	30-Year Insured Revs: 166.4% of 30 Yr. T-Bond
2 Yr. T-Note	0.89 (-10 bps)	Bond Buyer 40 Yield: 5.27% (+10 bps)
3 Yr. T-Note	1.40 (-16 bps)	Crude Oil Futures: 76.98 (-3.52)
5 Yr. T-Note	2.32 (-12 bps)	Gold Futures: 1046.70 (-8.90)
10 Yr. T-Note	3.39 (-09 bps)	Merrill Lynch High Yield Indices:
30 Yr. T-Bond	4.23 (-05 bps)	BB, 7-10 Yr. 8.03% (+05 bps)
		B, 7-10 Yr. 9.70% (+07 bps)

Treasury prices were higher across the board this week with generally strong demand for new government issuance and declining equities. Treasuries ended lower on Monday and the Treasury sold \$7 billion of 5-year TIPS which was part of the week's record \$123 billion sale of government securities. Most Treasury prices closed higher Tuesday and Wednesday as investors pursued lower risk government debt while equities continued lower. September Single Family Home Sales were reported down 3.6% to an annual rate of 402,000 vs. the estimate of a 2.6% increase to 440,000 and Durable Goods orders for September were reported in line with expectations at 1.0%. Third Quarter GDP was reported Thursday at 3.5% vs. the expectation of 3.2% which ignited a rally in equities and reduced demand for government securities pushing Treasury prices lower. Treasury prices ended higher on Friday while the S&P 500 fell 2.8%. U of M Consumer Confidence for October was reported at 70.6 vs. the estimate of 70.0. Major economic reports (and related consensus forecasts) for next week include: Monday: October ISM Manufacturing Index (53.0), September Pending Home Sales (0.4%); Tuesday: September Factory Orders (1.0%), October Total Vehicle Sales (9.80 million); Wednesday: October ISM Non-Manufacturing Index (51.6), FOMC Rate Decision (0.25%); Thursday: 3rd Quarter Nonfarm Productivity (6.0%), 3rd Quarter Unit Labor Costs (-3.8%); Friday: October change in Nonfarm Payrolls (-175,000), October Unemployment Rate (9.9%).

US Stocks:**Weekly Index Performance**

DJIA	9712.73 (-259.45,-2.6%)
S&P 500	1036.19 (-43.41,-4.0%)
S&P MidCap	659.15 (-42.18,-6.0%)
S&P Small Cap	299.07 (-18.58,-5.8%)
NASDAQ Comp	2045.11 (-109.36,-5.1%)
Russell 2000	562.77 (-38.09,-6.3%)

Market Indicators

Strong Sectors: Telecom Svcs, Staples, Health Care
Weak Sectors: Materials, Financials, Industrials
NYSE Advance/Decline: 370 / 2,823
NYSE New Highs/New Lows: 218 / 28
AAll Bulls/Bears: 33.7% / 42.3%

US stocks posted sharp losses last week despite generally better than expected earnings as investor's risk appetite appeared to wane. The week's economic data was mixed with the GDP report showing quarterly growth for the first time in a year, while consumer confidence came in lower than expected. Oil prices retreated 4% a week after jumping above \$80/bbl. Homebuilder shares were pummeled despite a fourth consecutive monthly gain in the Case-Schiller Home Price Index due to disappointing September new home sales and the looming end of the first time home buyer tax credit. Credit related concerns made their way into the headlines once again as **CIT** struggled to secure financing and **GMAC** will likely need a 3rd round of government assistance. Major oil companies showed large YoY earnings declines due to the drop in oil prices. Results in the group were mixed as **Chevron** and **ConocoPhillips** beat EPS expectations while **Exxon** missed bottom line estimates. **Proctor & Gamble** reported solid earnings as price increases offset volume declines. **Motorola** shares gained on upbeat forecasts in advance of new product launches in coming weeks. **Visa** reported earnings ahead of forecasts and commented on stabilizing consumer spending trends. Apparel company **VF Corp** posted light revenues and earnings sending shares lower. Aggressive cost controls resulted in an earnings beat for **Textron** despite soft sales. **Cummins** shares were weak following a forecast for flat 2010 sales. Looking ahead, earnings will remain in focus this week along with the employment report on Friday. Equities could remain volatile in coming weeks as investors attempt to reconcile the pace of economic recovery with what is already priced into shares.