

For The Week Ended February 13, 2009
Weekly Market Commentary & Developments

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

3 Mo. T-Bill	0.29 (+02 bps)	GNMA (30 Yr) 7% Coupon: 104-24/32 (4.35%)
6 Mo. T-Bill	0.45 (+02 bps)	Duration: 2.89 years
1 Yr. T-Bill	0.61 (+09 bps)	30-Year Insured Revs: 185.5% of 30 Yr. T-Bond
2 Yr. T-Note	0.96 (-03 bps)	Bond Buyer 40 Yield: 5.62% (-04 bps)
3 Yr. T-Note	1.38 (-05 bps)	Crude Oil Futures: 37.51 (-2.66)
5 Yr. T-Note	1.87 (-09 bps)	Gold Futures: 941.50 (+27.60)
10 Yr. T-Note	2.89 (-10 bps)	Merrill Lynch High Yield Indices:
30 Yr. T-Bond	3.67 (-02 bps)	BB, 7-10 Yr. 11.54% (-13 bps)
		B, 7-10 Yr. 13.98% (+02 bps)

Treasury yields were generally lower over the longer portion of the yield curve this week. Treasury prices fell Monday on supply concerns over the \$67 billion in new debt that came to the market this week. Treasuries rallied Tuesday on flight to safety as investors were not satisfied with the amount of detail disclosed by U.S. Treasury Secretary Timothy Geithner regarding the bank rescue plan and they continued higher on Wednesday. With better than expected retail sales data released on Thursday as well as the auction of new 30 year government debt, the long bond fell, breaking the 2 day rally. In a shortened trading session on Friday, government bonds fell across the board as concerns continued about the amount of new debt issuance. Wholesale Inventories were down 1.4% vs. the estimate of -0.7%. Advance Retail Sales were announced higher 1.0% as opposed to the -0.80% forecast. University of Michigan Consumer Confidence came in lower at 56.2 vs. the survey of 60.0. The Treasury Market will be closed on Monday in observance of the Presidents Day Holiday. Major economic reports (and related consensus forecasts) for the coming week include: Wednesday: January Housing Starts (530,000); Industrial Production (-1.50%), Thursday: Initial Jobless Claims (620,000), Friday: Consumer Price Index (-0.10%), Consumer Price Index Ex Food & Energy (1.50%).

US Stocks:**Weekly Index Performance**

DJIA	7850.41 (-430.18,-5.2%)
S&P 500	826.84 (-41.76,-4.8%)
S&P MidCap	505.52 (-25.06,-4.7%)
S&P Small Cap	235.03 (-13.06,-5.3%)
NASDAQ Comp	1534.36 (-57.35,-3.6%)
Russell 2000	448.36 (-22.34,-4.8%)

Market Indicators

Strong Sectors:	Precious Metals, Health Care, Technology
Weak Sectors:	Financials, Telecom, Utilities, Energy
NYSE Advance/Decline:	890 / 2,312
NYSE New Highs/New Lows:	10 / 157
AAII Bulls/Bears:	32.9% / 39.2%

US stocks fell as investors showed skepticism over the government's plans to shore up the financial system and jumpstart the economy. After trading water on Monday stocks sold off hard Tuesday following Treasury Secretary Geithner's unveiling of the new Financial Stability Plan. The plan offered up to \$2 trillion in federal backing for the financial system but investors were disappointed by the lack of detail accompanying the announcement. On Wednesday investors shifted their attention to the prospects for passage of an economic stimulus bill, and stocks rose after the House and Senate agreed on a \$789 (later \$787) billion package. On Thursday stocks came back in the last hour of trading from deep early losses to finish flat. Speculation a White House plan to aid struggling homeowners would be forthcoming helped spur the rally. On Friday stocks closed lower even as the stimulus bill progressed toward signing by the President. Banks traded down in a week where executives testified in front of a House panel about their use of TARP funds. The Treasury introduced a "stress test" for determining which institutions will be eligible for future financial assistance. Energy shares traded lower with crude oil. US oil inventories hit a 16-year high, while the IEA predicted world energy demand will fall this year at the fastest rate since 1982. Gold rose amid a flight to safety. **Coca-Cola's** fourth quarter results bested expectations on strong international volumes. **PepsiCo** met expectations with its results. **Principal Financial** shares tumbled on concern over mounting unrealized losses. **Wells Fargo** revised lower its recently reported fourth quarter earnings. Looking ahead, investors will surely attempt to sort through the stimulus bill while also awaiting details on the government's plan to stem foreclosures. Earnings reports and a restructuring plan due out from **General Motors** will compete for attention. Macro events are unlikely to recede in importance to the stock market anytime soon.