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

US Economy and Credit Markets:

Yields and Weekly Changes:

3 Mo. T-Bill	0.22 (+13 bps)	**GNMA (30 Yr) 7% Coupon:** 104-16/32 (4.50%)	
6 Mo. T-Bill	0.34 (+05 bps)	**Duration:** 2.73 years	
1 Yr. T-Bill	0.47 (+05 bps)	**30-Year Insured Revs**: 197.8% of 30 Yr. T-Bond	
2 Yr. T-Note	0.94 (+14 bps)	**Bond Buyer 40 Yield**: 5.73% (-08 bps)	
3 Yr. T-Note	1.33 (+18 bps)	**Crude Oil Futures**: 41.64 (-4.26)	
5 Yr. T-Note	1.87 (+24 bps)	**Gold Futures**: 928.90 (+29.40)	
10 Yr. T-Note	2.84 (+23 bps)	**Merrill Lynch High Yield Indices:**	
30 Yr. T-Bond	3.60 (+28 bps)	**BB, 7-10 Yr.**	11.32% (-19 bps)
		B, 7-10 Yr.	14.98% (-40 bps)

Treasury prices declined for the week for all maturities. Prices fell in three of five trading sessions, closing the month with their worst overall performance since April 2004 and their worst January since 1984. The huge supply was the driving factor for lower prices, as a total of $105 billion in debt of all maturities was auctioned for the week, with the expectations of much more issuance to follow once the anticipated stimulus package passes. The first estimate of 4Q GDP was a -3.8% annual, better than forecasts of -5.5%, while continuing jobless claims reached their highest levels since recordkeeping began in 1967. Major economic reports (and related consensus forecasts) for the coming week include: Monday: December Personal Income (-0.4%) and Personal Spending (-0.9%) and January ISM Manufacturing (32.5, Prices Paid 18.0); Tuesday: January Total Vehicle Sales (10.2 million); Wednesday: January ISM Non-Manufacturing Composite (39.0); Thursday: 4Q Nonfarm Productivity (1.2%) and Unit Labor Costs (3.0%), Initial Jobless Claims (580,000), and December Factory Orders (-3.0%); and Friday: January Employment Report, including Change in Nonfarm Payrolls (-530,000), Unemployment Rate (7.5%), Average Hourly Earnings (0.2%), and Average Weekly Hours (33.3), and December Consumer Credit (-$4.0 billion).

US Stocks:

Weekly Index Performance

DJIA	8000.86 (-76.70,-1.0%)
S&P 500	825.88 (-6.07,-0.7%)
S&P MidCap	498.68 (-2.72,-0.5%)
S&P Small Cap	234.32 (-1.10,-0.5%)
NASDAQ Comp	1476.42 (-0.87,-0.1%)
Russell 2000	443.53 (-0.83,-0.2%)

Market Indicators

Strong Sectors: Financials, Health Care, Utilities, Transports
Weak Sectors: Materials, Telecom, Consumer Discretionary
NYSE Advance/Decline: 1,792 / 1,425
NYSE New Highs/New Lows: 17 / 129
AAII Bulls/Bears: 25.3% / 47.3%

US stocks declined amid worries over grim economic data and weak corporate earnings. Investor sentiment whipsawed between optimism over a tentative plan to stabilize the financial system via a government-run “bad bank” and then disappointment over the plan’s apparent collapse. Stocks registered their poorest January showing ever with the S&P 500 falling 8.6%. Small-cap stocks fell hardest last month. The lone bright spot in terms of economic news came Monday with the release of better than expected existing home sales for December. However there was little to cheer in subsequent reports on new homes sales, consumer confidence, durable goods orders, weekly initial jobless claims and the first reading on fourth quarter GDP. The $819 billion economic stimulus plan gained House approval. Gold prices rose to their highest since July. **Pfizer** shares fell 16% in reaction to the company’s $68 billion acquisition of **Wyeth** and decision to cut the dividend in half. **Caterpillar** reported higher quarterly revenues but sharply lower earnings. The company lowered expectations for 2009 while also announcing substantial layoffs. **Allstate** surprised investors with weak Q4 earnings that contributed to the company recording its first annual loss. **Wells Fargo** beat expectations though the bank recorded a $37.2 billion writedown related to its acquisition of **Wachovia**. **ExxonMobil**’s fourth-quarter earnings fell 33% but 2008 was a record year for profits. **Amazon**’s quarter stood out for its impressive showing on revenues. Quarters at **Verizon** and **AT&T** were mixed. **Procter & Gamble** met expectations but warned its future results would be impacted by customers “trading down” to value-priced goods. Looking ahead, there are plenty of data points due out in the days ahead that will compete for attention, perhaps none more important than the January jobs report due out Friday. Stocks might not find a bottom, however, until there is clarity on the future for troubled banks.