

For The Week Ended February 27, 2009
Weekly Market Commentary & Developments

US Economy and Credit Markets:

Yields and Weekly Changes:

3 Mo. T-Bill	0.25 (-02 bps)	GNMA (30 Yr) 7% Coupon: 105-10/32 (4.01%)
6 Mo. T-Bill	0.44 (-04 bps)	Duration: 2.90 years
1 Yr. T-Bill	0.68 (+06 bps)	30-Year Insured Revs: 173% of 30 Yr. T-Bond
2 Yr. T-Note	0.97 (+03 bps)	Bond Buyer 40 Yield: 5.57% (+03 bps)
3 Yr. T-Note	1.37 (+05 bps)	Crude Oil Futures: 44.76 (+5.82)
5 Yr. T-Note	1.98 (+15 bps)	Gold Futures: 942.50 (-59.30)
10 Yr. T-Note	3.01 (+23 bps)	Merrill Lynch High Yield Indices:
30 Yr. T-Bond	3.71 (+14 bps)	BB, 7-10 Yr. 12.13% (+39 bps)
		B, 7-10 Yr. 14.92% (+57 bps)

Treasury prices ended generally lower on the week as the Treasury sold \$94 billion in notes this week. Flight to quality continued on Monday as investors drove Treasuries higher on concerns over the recession. A rally in stocks on Tuesday allowed Treasury investors to focus on supply, pushing price levels down with the exception of the 30 year which held on to a slight gain. On Wednesday and Thursday, longer dated Treasuries were generally lower with continuing worries about supply during the government's sale of 5 year notes on Wednesday and 7 year notes on Thursday. Short dated Treasuries gained on Friday while longer dated issues declined. January Existing Home Sales were reported lower at 4.49 million vs. the estimate of 4.79 million. Durable Goods orders were -5.2% vs. the expectation of -2.5%. Annualized GDP was reported lower than the expectation at -6.2% as opposed to the estimate of -5.4%. The Chicago Purchasing Manager Index was reported higher than expected at 34.2 vs. the estimate of 33.0. Major economic reports (and related consensus forecasts) for next week include: Monday: Personal Income (-0.20%); Wednesday: Total Vehicle Sales (9.6 million); Thursday: Fed's Beige Book; Friday: February Unemployment Rate (7.9%).

US Stocks:

Weekly Index Performance

DJIA	7062.93 (-302.74,-4.1%)
S&P 500	735.09 (-34.96,-4.5%)
S&P MidCap	449.44 (-17.18,-3.7%)
S&P Small Cap	205.97 (-11.65,-5.4%)
NASDAQ Comp	1377.84 (-63.39,-4.4%)
Russell 2000	389.02 (-21.94,-5.3%)

Market Indicators

Strong Sectors:	Financials, Telecom Svcs., Consumer Discretionary
Weak Sectors:	Health Care, Materials, Aerospace & Defense
NYSE Advance/Decline:	1,216 / 1,993
NYSE New Highs/New Lows:	8 / 642
AAII Bulls/Bears:	24.3% / 55.1%

US stocks took out their November bear market lows in another downbeat week of trading. Two major concerns to investors were the grim economic data that only appeared to extend the timetable for economic recovery and the proposed higher investor tax rates contained in President Obama's \$3.6 trillion budget. The S&P 500 lost 11% in February for its sixth consecutive monthly decline. The index has fallen in seven of the past eight weeks. Gold fell back below \$1,000/oz while crude oil advanced 12% to \$44.76/bbl. Bank stocks were resilient for most of the week as details on the stress test were unveiled and as Fed Chairman Bernanke reiterated the government's stance that nationalization of banks was unnecessary. However banks tumbled anew on Friday after an accord was reached with **Citigroup** for the government to convert up to \$25 billion in preferred shares into common stock for a potential 36% ownership stake. Citi's shares lost 23% on the week. **General Motors** rattled investors with a \$9.6 billion quarterly loss and a downbeat assessment of February sales. **General Electric** succumbed to pressure to cut its dividend, announcing Friday a 68% reduction for its first cut in 71 years. GE shares fell 6.5% Friday and 9.3% for the week. Health Care firms were losers in investors' reading of the federal budget. Managed Care stocks took a beating on the potential for lower government subsidies for private Medicare plans. **Humana** tumbled 41%. Elsewhere, **Home Depot** rose on better than expected earnings as did **Nordstrom**. **Dell** ended in the black after its earnings beat estimates and it forecast additional savings from restructuring. In merger news, fertilizer maker **Agrium** launched a \$3.6 billion bid for competitor **CF Industries**. Looking ahead, the coming week brings less in the way of important earnings releases than economic data, the latter culminating in the February employment report due out Friday. Signs of stabilization in the job market and in housing prices though presently absent still look to be prerequisites to any lasting market recovery.