

For The Week Ended March 20, 2008
Weekly Market Commentary & Developments

US Economy and Credit Markets:

Yields and Weekly Changes:

3 Mo. T-Bill	0.20 (+01 bps)	GNMA (30 Yr) 7% Coupon: 105-20/32 (3.85%)
6 Mo. T-Bill	0.39 (-02 bps)	Duration: 2.98 years
1 Yr. T-Bill	0.58 (-08 bps)	30-Year Insured Revs: 179.7% of 30 Yr. T-Bond
2 Yr. T-Note	0.86 (-09 bps)	Bond Buyer 40 Yield: 5.56% (-01 bps)
3 Yr. T-Note	1.22 (-14 bps)	Crude Oil Futures: 51.06 (+4.81)
5 Yr. T-Note	1.64 (-22 bps)	Gold Futures: 952.30 (+22.20)
10 Yr. T-Note	2.63 (-25 bps)	Merrill Lynch High Yield Indices:
30 Yr. T-Bond	3.66 (-01 bps)	BB, 7-10 Yr. 12.24% (-34 bps)
		B, 7-10 Yr. 16.26% (-38 bps)

Treasury yields were down on the week which included a major move down on Wednesday as a result of the Federal Reserve decision to purchase as much as \$300 billion in Treasuries as well as agency mortgage backed securities. Treasury prices were down on Monday and Tuesday as demand for the safety of government debt eased and investors waited for Wednesday's Federal Reserve statement. Wednesday witnessed one of the largest drops in yields in decades on the FOMC announcement resulting in the 10 year yield dropping nearly 50 basis points. After Wednesday's historic rally, investors seized the opportunity for some profit taking on Thursday, sending prices lower and prices were moderately lower again Friday. Industrial Production came in down 1.4% vs. the expectation of -1.3%. PPI was up 0.1% in February and down 1.3% YoY. CPI was up 0.4% in February vs. the estimate of 0.3% and is up 0.2% YoY. February Housing Starts were announced at 583,000 against the estimate of 450,000. The FOMC decided to leave the Target Rate unchanged at 0.25%. Major economic reports (and related economic forecasts) for next week include: Wednesday: Durable Goods Orders (-2.4%); Thursday: GDP (-6.6%); Friday: University of Michigan Consumer Confidence (56.8).

US Stocks:

Weekly Index Performance

DJIA	7278.38 (+54.40,+0.8%)
S&P 500	768.54 (+11.99,+1.6%)
S&P MidCap	464.38 (+7.67,+1.7%)
S&P Small Cap	210.24 (+3.07,+1.5%)
NASDAQ Comp	1457.27 (+25.77,+1.8%)
Russell 2000	400.11 (+7.02,+1.8%)

Market Indicators

Strong Sectors: Utilities, Materials, Telecom Services
Weak Sectors: Health Care, Financials, Consumer Staples
NYSE Advance/Decline: 2,310 / 888
NYSE New Highs/New Lows: 9 / 51
AAII Bulls/Bears: 45.1% / 38.3%

U.S. stocks built on recent gains last week as the Fed announced a large expansion of its balance sheet in a further attempt to free up tight credit markets. The Fed greatly increased its MBS buying program and will begin buying longer term Treasuries. The news sent stocks sharply higher following the announcement although they retreated the final two days of the week. The move also sent the dollar lower while boosting commodities. Oil gained over 10% on the week, pushing above \$50/bbl for the first time in two months. Homebuilders gained early in the week on a jump in housing starts and the Fed's plan although they gave back gains late in the week. **Cisco** announced they will enter the server business. **Oracle** announced strong EPS on market share gains and instituted a dividend. **Darden Restaurants** shares jumped after reporting strong quarterly results and forecasting EPS growth for FY09 versus a previously forecasted decline. Dow component **Alcoa** announced a dividend cut citing challenging business conditions. Steel maker **Nucor** issued a sharply lower earnings forecast. In merger news, **IBM** is reportedly interested in **Sun Microsystems** and **Coca-Cola's** \$2.3 billion bid for a Chinese juice maker was blocked by the Chinese government. **Barclays** is reportedly close to selling its iShares ETF unit to shore up its capital base. Looking ahead, the coming week provides a handful of economic reports including consumer confidence and durable goods. A smattering of consumer related earnings reports, including **Best Buy**, will provide fresh data points on the status of consumer spending. While the longer term economic outlook remains challenging, investor confidence in recently announced government actions could continue to boost equities in the short-term.