

**For The Week Ended April 3, 2008**  
**Weekly Market Commentary & Developments**

**US Economy and Credit Markets:**

**Yields and Weekly Changes:**

|                      |                |  |
|----------------------|----------------|--|
| <b>3 Mo. T-Bill</b>  | 0.20 (+07 bps) | <b>GNMA (30 Yr) 6% Coupon:</b> 104-17/32 (3.25%)     |
| <b>6 Mo. T-Bill</b>  | 0.40 (+03 bps) | <b>Duration:</b> 2.77 years                          |
| <b>1 Yr. T-Bill</b>  | 0.57 (+01 bps) | <b>30-Year Insured Revs:</b> 181.3% of 30 Yr. T-Bond |
| <b>2 Yr. T-Note</b>  | 0.94 (+04 bps) | <b>Bond Buyer 40 Yield:</b> 5.56% (-03 bps)          |
| <b>3 Yr. T-Note</b>  | 1.32 (+06 bps) | <b>Crude Oil Futures:</b> 52.47 (+0.09)              |
| <b>5 Yr. T-Note</b>  | 1.85 (+05 bps) | <b>Gold Futures:</b> 891.50 (-31.70)                 |
| <b>10 Yr. T-Note</b> | 2.88 (+12 bps) | <b>Merrill Lynch High Yield Indices:</b>             |
| <b>30 Yr. T-Bond</b> | 3.69 (+07 bps) | <b>BB, 7-10 Yr.</b> 11.62% (-20 bps)                 |
|                      |                | <b>B, 7-10 Yr.</b> 15.18% (-42 bps)                  |

After starting the week higher, Treasury prices fell and ended lower across the board for the week. Treasury prices were generally up on Monday and Tuesday on flight-to-safety due to concerns about the auto makers and banks. March closed higher for the first monthly gain of the year. Treasuries were little changed on Wednesday. Investors were drawn back into the stock market with Thursday's rally and bond prices were driven lower. Prices were down across the board on Friday as investors reduced their positions ahead of next weeks supply. Economic reports released this week included: Tuesday: Chicago Purchasing Manager Index came in at 31.4 vs. the expectation of 34.3; Wednesday: ISM Manufacturing was reported at 36.3 against the forecast of 36.0, Total Vehicle Sales were 9.9M vs. the survey of 9.2M; Thursday: Initial Jobless Claims were reported at 669K vs. the expectation of 650K; Friday: Unemployment Rate came in at 8.50% which was in line with the forecast, and the ISM Non-Manf. Composite was 40.8 vs. the forecast of 42.0. Major economic reports (and related economic forecasts) for next week include: Tuesday: Consumer Credit (-\$3.0B); Wednesday: Wholesale Inventories (-0.60%); Thursday: Trade Balance (-\$36.0B), Import Price Index (0.90%), and Initial Jobless Claims (660K). The market will be closed on Friday in observance of Good Friday.

**US Stocks:**

**Weekly Index Performance**

|                          |                         |
|--------------------------|-------------------------|
| <b>DJIA</b>              | 8017.59 (+241.41,+3.1%) |
| <b>S&amp;P 500</b>       | 842.50 (+26.56,+3.3%)   |
| <b>S&amp;P MidCap</b>    | 524.51 (+25.68,+5.1%)   |
| <b>S&amp;P Small Cap</b> | 240.97 (+15.28,+6.8%)   |
| <b>NASDAQ Comp</b>       | 1621.87 (+76.67,+5.0%)  |
| <b>Russell 2000</b>      | 456.13 (+27.13,+6.3%)   |

**Market Indicators**

|   |
|---|
| <b>Strong Sectors:</b> Financials, Consumer Discretionary, Tech |
| <b>Weak Sectors:</b> Health Care, Consumer Staples, Utilities   |
| <b>NYSE Advance/Decline:</b> 2,555 / 641                        |
| <b>NYSE New Highs/New Lows:</b> 16 / 34                         |
| <b>AAII Bulls/Bears:</b> 42.7% / 37.1%                          |

U.S. stocks advanced for a fourth consecutive week as data showed signs the economy could be stabilizing and financials continued to rally after beneficial regulatory changes. The rally off the March 9<sup>th</sup> lows made March the best month for equities since October 2002. The week also brought to a close the 1<sup>st</sup> quarter. Despite the March gains, the 1<sup>st</sup> quarter was tough on equities. The S&P 500, Dow Industrials and Russell 2000 Indexes posted returns of -11.0%, -12.5% and -15.0%, respectively. On Thursday, the FASB voted to relax mark-to-market accounting standards. The move boosted financials as it could help shore up bank capital by reducing write downs on underperforming assets. Better than expected pending home sales & ISM Manufacturing reports were cited as potential signs of economic stabilization. March auto sales, while still showing significant year over year declines, came in ahead of forecasts boosting hopes a trough in auto sales is near. Still, **GM** shares fell sharply after the government rejected their restructuring plan and forced out CEO Rick Wagoner. **Research in Motion** reported strong quarterly results and boosted its outlook sending its stock soaring on Friday. The company also opened an apps store to better compete against **Apple**. Looking ahead, the coming week marks the beginning of earnings season. While results are widely expected to be dismal for the 1<sup>st</sup> quarter, investors will be focused on what companies have to say about their business prospects for the next quarter or two. Chain store sales later in the week will also be closely monitored. With stocks having bounced roughly 25% off the March 9<sup>th</sup> lows, companies will likely have to present some proof that business conditions are close to bottoming for this rally to continue.