

For The Week Ended June 26, 2008
Weekly Market Commentary & Developments

US Economy and Credit Markets:

Yields and Weekly Changes:

3 Mo. T-Bill 0.17 (+01 bps) 6 Mo. T-Bill 0.29 (-02 bps) 1 Yr. T-Bill 0.40 (-06 bps) 2 Yr. T-Note 1.10 (-10 bps) 3 Yr. T-Note 1.62 (-20 bps) 5 Yr. T-Note 2.55 (-25 bps) 10 Yr. T-Note 3.53 (-24 bps) 30 Yr. T-Bond 4.33 (-16 bps)	GNMA (30 Yr) 6% Coupon: 104-5/32 (4.35%) Duration: 3.43 years 30-Year Insured Revs: 159.3% of 30 Yr. T-Bond Bond Buyer 40 Yield: 5.43% (-02 bps) Crude Oil Futures: 69.34 (-0.21) Gold Futures: 940.70 (+5.10) Merrill Lynch High Yield Indices: BB, 7-10 Yr. 10.20% (+02 bps) B, 7-10 Yr. 12.01% (+06 bps)
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Most Treasury prices ended higher on the week as yields fell every day with the exception of Wednesday. Prices continued higher Monday on a sell off in stocks and Tuesday on a very well bid \$40 billion two-year note auction. Treasuries sold off Wednesday as the Fed held back from increasing the size of its asset purchase program. Robust demand for Thursday's \$27 billion seven-year note auction contributed to a sharp move higher in prices which continued Friday on news that Americans were increasing their savings. Existing Home Sales for May were reported Tuesday at 2.4% vs. the survey estimate of 3.0%. Wednesday, Durable Goods Orders were reported at 1.8% vs. the estimate of -0.9% and the Fed decided to maintain the target range for the federal funds rate at 0 to 0.25%. Thursday, final 1st Quarter GDP was revised up to -5.5% from -5.7% and May Personal Income was reported at 1.4% vs. the estimate of 0.3%. Friday the final U of M Consumer Confidence was reported for June of 70.8 vs. the estimate of 69.0. Major economic reports (and related consensus forecasts) for next week include: Tuesday: Chicago Purchasing Manager Index (39.0); Wednesday: ISM Manufacturing Index (44.5); Thursday: Change in Non-Farm Payrolls (-350,000) and Unemployment Rate (9.6%); Friday: May Factory Orders (0.8%).

US Stocks:

Weekly Index Performance

DJIA	8438.39 (-101.34,-1.2%)
S&P 500	918.90 (-2.33,-0.3%)
S&P MidCap	576.73 (-1.25,-0.2%)
S&P Small Cap	269.49 (-0.21,-0.1%)
NASDAQ Comp	1838.22 (+10.75,+0.6%)
Russell 2000	513.22 (+0.50,+0.1%)

Market Indicators

Strong Sectors:	Telecomm Svcs, Health Care, Utilities
Weak Sectors:	Energy, Financials, Industrials
NYSE Advance/Decline:	1,697 / 1,482
NYSE New Highs/New Lows:	44 / 10
AAII Bulls/Bears:	28.0% / 48.8%

US stocks lost ground for the second consecutive week, the first two week losing streak since early March. Economic data on the week was mixed. Durable goods orders and consumer sentiment surprised to the upside, while May existing home sales and weekly jobless claims disappointed. Stocks were sent reeling Monday after the World Bank lowered its 2009 global GDP forecast from -1.7% to -2.9%. Stocks fought back the remainder of the week but were unable to close the gap entirely. **Apple** reported selling 1 million iPhone 3GS in its first three days on the market. It was also revealed CEO Steve Jobs received a liver transplant while on medical leave. **Walgreen's** reported EPS that trailed estimates due to an unfavorable product mix and new store opening expenses. **Boeing** delayed the maiden flight of the 787 Dreamliner once again sending its shares lower. **Nike** reported an inline quarter however disappointing future order trends sent shares lower. **Monsanto** was under pressure after giving a cautious outlook due to increased competition for its Roundup unit. **Potash** warned 3Q earnings will be well below previous forecasts. Looking ahead, the coming week brings to a close the second quarter and will feature important reports on home prices and unemployment. Investor focus will soon turn earnings as earnings season gets underway next week. The rally from the March lows has been fueled by the diminishing risk of a global financial collapse and hopes of a second half recovery. A meaningful move higher from current levels will depend on signs of that recovery materializing in corporate forecasts and earnings.