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For The Week Ended July 17th, 2009
Weekly Market Commentary & Developments

US Economy and Credit Markets:

Yields and Weekly Changes:

3 Mo. T-Bill	0.16 (no change)	**GNMA (30 Yr) 6% Coupon:**	104-16/32 (3.99%)
6 Mo. T-Bill	0.26 (+02 bps)	**Duration:**	3.26 years
1 Yr. T-Bill	0.44 (+01 bps)	**30-Year Insured Revs**:	151.5% of 30 Yr. T-Bond
2 Yr. T-Note	0.98 (+08 bps)	**Bond Buyer 40 Yield**:	5.59% (+06 bps)
3 Yr. T-Note	1.56 (+16 bps)	**Crude Oil Futures**:	63.36 (+3.47)
5 Yr. T-Note	2.50 (+28 bps)	**Gold Futures**:	936.60 (+24.10)
10 Yr. T-Note	3.65 (+34 bps)	**Merrill Lynch High Yield Indices:**	
30 Yr. T-Bond	4.54 (+34 bps)	**BB, 7-10 Yr.**	9.84% (-11 bps)
		B, 7-10 Yr.	12.10% (-13 bps)

Treasury prices ended lower this week as economic data and stronger equity prices reversed last week's flight-to-safety trade. Treasury prices were relatively flat Monday on a slow trading day. Tuesday, Treasury prices fell on positive economic news as Retail Sales increased 0.60% in June vs. the estimate of 0.40%. The PPI was reported to have increased 1.80% vs. the estimate of 0.90%. Prices ended lower Wednesday as equities moved higher on positive economic news including a better than expected Industrial Production report which showed a declined of 0.40% vs. the forecast of -0.60%. Other economic news Wednesday included Capacity Utilization which was reported at 68.0% vs. the estimate of 67.9%. The CPI was reported to increase 0.70% in June vs. the expectation of 0.60%. Concerns over the fate of CIT and a weaker than forecast Philadelphia Fed Business Outlook influenced higher Treasury prices on Thursday. Treasury prices were then driven back lower Friday as June Housing Starts were reported to have increased 3.6% to 582,000 vs. the forecast of 530,000. Major economic reports (and related consensus forecasts) for next week include: Monday: June Leading Indicators Index (0.50%); Thursday, June Existing Home Sales (4.85 million, 1.70% MoM); Friday: U of M Consumer Confidence (65).

US Stocks:

Weekly Index Performance

DJIA	8743.94 (+597.42,+7.3%)
S&P 500	940.38 (+61.25,+7.0%)
S&P MidCap	589.00 (+41.92,+7.7%)
S&P Small Cap	276.75 (+20.39,+8.0%)
NASDAQ Comp	1886.61 (+130.58,+7.4%)
Russell 2000	519.22 (+38.24,+8.0%)

Market Indicators

Strong Sectors: Materials, Technology, Financials, Energy
Weak Sectors: Health Care, Telecom Svcs., Utilities
NYSE Advance/Decline: 2,878 / 311
NYSE New Highs/New Lows: 99 / 14
AAII Bulls/Bears: 28.7% / 47.1%

US stocks ended a four week losing streak in style, notching impressive gains following better than expected earnings reports from leading firms. The week's gains recouped losses sustained over the prior four weeks and restored the S&P 500 to a level 39% above its March low. While still early, taken together the reports allowed analysts to entertain the notion second quarter earnings season would be a pleasant surprise. Stocks' gains were impressive in light of more trouble in the Financials sector, this time with the possible bankruptcy of **CIT Group**, an important small business lender. Economic data out, in particular a report on housing starts, allowed room for economists including one prominent bear to upgrade their outlook for the US economy. Inflation in June ran ahead of expectations, low but stubborn. Commodities were buoyed by the data. **Goldman Sachs**' quarter far surpassed expectations as the firm put more of its own capital to work to reap profits in its capital markets business. **JPMorgan Chase** posted strong quarterly earnings despite mounting losses in consumer credit. Quarterly results at **Bank of America** and **Citigroup** were driven by one-time gains. Technology firms used cost controls to power profits. **IBM** reported strong earnings and guided higher though revenues were light and down year-on-year. **Google** reported slower top-line growth but again profits were strong. **Intel** came in well ahead of estimates both on the top and bottom line. Elsewhere, **General Electric**'s results were weighed down by GE Capital leading to a 47% decline in net income. Health Care shares were weaker as reform proposals continued to take shape in Congress. Looking ahead, the earnings parade comes hot and heavy this week with 143 S&P 500 companies set to release results. Though top-line growth is likely to remain a rare commodity in reported results and companies are loath to make bold forecasts, investors may start to anticipate a recovery on their own