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For The Week Ended August 7th, 2009
Weekly Market Commentary & Developments

US Economy and Credit Markets:

Yields and Weekly Changes:

3 Mo. T-Bill	0.17 (unch.)	**GNMA (30 Yr) 6% Coupon:** 104-19/32 (3.87%)	
6 Mo. T-Bill	0.27 (+03 bps)	**Duration:** 3.34 years	
1 Yr. T-Bill	0.49 (+03 bps)	**30-Year Insured Revs**: 152.2% of 30 Yr. T-Bond	
2 Yr. T-Note	1.29 (+18 bps)	**Bond Buyer 40 Yield**: 5.53% (-02 bps)	
3 Yr. T-Note	1.83 (+25 bps)	**Crude Oil Futures**: 70.55 (+1.46)	
5 Yr. T-Note	2.81 (+30 bps)	**Gold Futures**: 955.00 (+2.80)	
10 Yr. T-Note	3.85 (+27 bps)	**Merrill Lynch High Yield Indices:**	
30 Yr. T-Bond	4.60 (+31 bps)	**BB, 7-10 Yr.**	8.82% (-10 bps)
		B, 7-10 Yr.	10.53% (-26 bps)

Treasury yields were higher across the width of the curve, and the benchmark 10-year note saw its biggest jump in yield since 2003 as signs continued to mount that the U.S. economy continues to recover. July saw the smallest decline in nonfarm payrolls since last August, losing 247,000 versus a consensus forecast of 325,000. In addition, the unemployment rate fell 9.4% from 9.5%, beating forecasts of an increase to 9.6%. In addition, the ISM Manufacturing Index increased to 48.9 in June, while he service sector index fell slightly to 46.4. The Fed is expected to leave its target rate unchanged when it meets this week. Major economic reports (and related consensus forecasts) for next week include: Tuesday: 2Q Preliminary Nonfarm Productivity (+5.4%, Unit Labor Costs -2.4%) and June Wholesale Inventories (-0.9%); Wednesday: June Trade Balance (-$28.5 billion), July Monthly Budget Statement (-$180.0 billion), and FOMC Rate Decision expected (0.25%); Thursday: July Import Price Index (-0.5%), July Advance Retail Sales (+0.7%, Less Autos +0.1%), Initial Jobless Claims (545,000), and June Business Inventories (-0.9%); and Friday: July Consumer Price Index (0.0%, Ex Food and Energy +0.1%), July Industrial Production (+0.4%) and Capacity Utilization (68.4%), and August Preliminary U of Michigan Confidence (69.0).

US Stocks:

Weekly Index Performance

DJIA	9370.07 (+198.46,+2.2%)
S&P 500	1010.48 (+23.00,+2.3%)
S&P MidCap	655.10 (+27.05,+4.3%)
S&P Small Cap	304.25 (+8.52,+2.9%)
NASDAQ Comp	2000.25 (+21.75,+1.1%)
Russell 2000	572.40 (+15.69,+2.8%)

Market Indicators

Strong Sectors: Financials, Materials, Consumer Discretionary
Weak Sectors: Telecom Svcs., Health Care, Utilities, Energy
NYSE Advance/Decline: 2,423 / 765
NYSE New Highs/New Lows: 360 / 11
AAII Bulls/Bears: 50.0% / 35.2%

US stocks gained for a fourth straight week as a better-than-expected July employment report had investors embracing a much rosier outlook for the US economy. The report featured a modest cut to payrolls compared to steeper losses earlier in the year and also an unexpected decline in the unemployment rate. Leading up to Friday, stocks were in positive territory but signs of "topping out" were in place. On Monday, the S&P 500 passed the 1,000 level for the first time since November. Other economic data out last week were on balance positive and confirmed a recovery is underway. Some of the optimism over the economy came from the evident success of the government's "cash for clunkers" program for autos: **Ford** reported its first monthly sales gain in two years. Meanwhile, retail same-store sales for July were fairly weak, registering a 5.1% decline. **Macy's** and **Costco** reported sharper sales drops while **Aeropostale** and **TJX** reported gains. Financials responded well to the positive economic signals. **American Express** commented that credit trends had improved somewhat. **AIG** reported its first profitable quarter in six and saw its shares more than double last week. **Citigroup** shares surged 21%, at least partly on short-covering. In earnings news, **Cisco Systems** reported results ahead of expectations and gave an outlook that, while cautious, didn't douse hopes for further recovery. **Procter & Gamble**'s disappointing results reflected that company's troubles in reacting to consumer spending trends. **PepsiCo** came to an agreement with its two publicly-traded bottlers to complete a planned $7.8 billion buyout. Looking ahead, market sentiment could be tested this week with important data on the consumer due out. The data comes in the form of key retailer earnings reports, the monthly retail sales report and a reading on consumer confidence. Overall, it does appear the easiest path for stocks at present is higher as whatever deeper problems the economy faces seem to have been forestalled by government and central bank actions.