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For The Week Ended August 14, 2009
Weekly Market Commentary & Developments

US Economy and Credit Markets:

Yields and Weekly Changes:

3 Mo. T-Bill	0.16 (-01 bps)	**GNMA (30 Yr) 6% Coupon:** 105-09/32 (3.57%)	
6 Mo. T-Bill	0.25 (-02 bps)	**Duration:** 3.34 years	
1 Yr. T-Bill	0.40 (-08 bps)	**30-Year Insured Revs**: 159.18% of 30 Yr. T-Bond	
2 Yr. T-Note	1.05 (-24 bps)	**Bond Buyer 40 Yield**: 5.52% (-06 bps)	
3 Yr. T-Note	1.61 (-22 bps)	**Crude Oil Futures**: 67.56 (-3.37)	
5 Yr. T-Note	2.50 (-31 bps)	**Gold Futures**: 946.00 (-11.30)	
10 Yr. T-Note	3.56 (-28 bps)	**Merrill Lynch High Yield Indices:**	
30 Yr. T-Bond	4.41 (-18 bps)	**BB, 7-10 Yr.**	8.86% (+03 bps)
		B, 7-10 Yr.	10.67% (+13 bps)

Treasury yields were lower across the curve this week as yields declined each day with the exception of Wednesday. Strong 3 and 30-year auctions Tuesday and Thursday, then slumping consumer confidence numbers which were reported Friday contributed to the Treasuries advance. Treasuries sold off on Wednesday after the Fed indicated they will slow Treasury purchases as the economy levels out. On Monday, 2nd Quarter Non-farm Productivity was reported at 6.4%, vs. the estimate of 5.5%. Wednesday, June's Trade Balance was reported to have grown by $1.0 billion to -$27.0 billion. The FOMC decided to not make any changes to the target range for the federal funds rate by leaving the range at 0 – 0.25%. The Fed did insert more positive language in the statement by indicating that economic activity is "leveling out", as opposed to June's statement indicating that the "pace of economic contraction is slowing." CPI was unchanged in July, matching expectations. July Industrial Production was reported slightly higher than expected at 0.50% vs. the estimate of 0.40%. Preliminary U of M Consumer Confidence was reported lower than expected at 63.0 vs. the estimate of 69.0. Major economic reports (and related consensus forecasts) for next week include: Tuesday: July PPI (-0.30%, 0.10% Ex Food & Energy), July Housing Starts (598,000), July Building Permits (575,000); and Friday: July Existing Home Sales (5.0 million).

US Stocks:

Weekly Index Performance

DJIA	9321.40 (-48.67,-0.5%)
S&P 500	1004.09 (-6.39,-0.6%)
S&P MidCap	645.99 (-9.11,-1.4%)
S&P Small Cap	299.18 (-5.07,-1.7%)
NASDAQ Comp	1985.52 (-14.73,-0.7%)
Russell 2000	563.90 (-8.50,-1.5%)

Market Indicators

Strong Sectors: Health Care, Utilities, Consumer Staples
Weak Sectors: Consumer Discretionary, Industrials, Materials
NYSE Advance/Decline: 1,449 /1,720
NYSE New Highs/New Lows: 224 /6
AAII Bulls/Bears: 51.0% / 33.0%

U.S. stocks fell last week snapping a four week winning streak as disappointing retail sales and re-emerging banking worries sent stocks lower. Defensive sectors such as health care, utilities and staples led the way while the most economically sensitive sectors lagged. The Fed announcement on Wednesday had little impact on equities as it offered nothing unexpected. Disappointing consumer confidence numbers on Friday sent shares into negative territory for the week. July same store retail sales came in well below forecasts on Thursday. Despite disappointing July sales, several companies reported solid quarters during the week. **Wal-Mart** and **Kohl's** both reported earnings ahead of forecasts. **McDonald's** reported strong July sales led by strength in Europe. **Priceline.com** reported a strong quarter on better than expected leisure travel. Banks were volatile on the week. **Bank of America** benefitted from a prominent hedge fund taking a large position. Smaller cap banks lagged on concerns about the health of their balance sheets. Insurance shares were in focus on brokerage upgrades in the sector. **Toll Brothers** surprised by reporting its first year-over-year increase in home orders in four years. **Amgen** received limited FDA approval for its bone drug denosumab. **Applied Materials** reported earnings ahead of forecasts and noted some positive signs in their business. Looking ahead, earnings season is winding to a close so investors will likely focus more on economic data in the coming weeks. With roughly 90% of the S&P 500 having reported earnings, those beating EPS expectations are outpacing those that did not by approximately 3:1. Looking at sales however shows a roughly 50/50 split between those beating and those falling short of expectations. Stocks could be due to take a breather after the recent rally as investors await more concrete evidence that the economic recovery is on solid footing.