

For The Week Ended August 21st, 2009
Weekly Market Commentary & Developments

US Economy and Credit Markets:

Yields and Weekly Changes:

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|----------------------|----------------|--|
| 3 Mo. T-Bill | 0.15 (-01 bps) | GNMA (30 Yr) 6% Coupon: 104-31/32 (3.73%) |
| 6 Mo. T-Bill | 0.24 (-01 bps) | Duration: 3.89 years |
| 1 Yr. T-Bill | 0.40 (unch.) | 30-Year Insured Revs: 160.6% of 30 Yr. T-Bond |
| 2 Yr. T-Note | 1.09 (+04 bps) | Bond Buyer 40 Yield: 5.42% (-10 bps) |
| 3 Yr. T-Note | 1.66 (+03 bps) | Crude Oil Futures: 73.97 (+6.41) |
| 5 Yr. T-Note | 2.56 (+06 bps) | Gold Futures: 953.10 (+7.10) |
| 10 Yr. T-Note | 3.56 (unch.) | Merrill Lynch High Yield Indices: |
| 30 Yr. T-Bond | 4.37 (-04 bps) | BB, 7-10 Yr. 9.03% (+17 bps) |
| | | B, 7-10 Yr. 10.97% (+30 bps) |

Treasury note yields were mostly higher for the week, but only slightly above their levels to begin the week; the yield on the 30-year bond was slightly higher for the week. Prices opened with a sharp increase Monday as stock prices fell in most markets. Both courses reversed Tuesday as bond prices fell in the face of rising stock prices. Prices were higher Wednesday, helped in part by the Federal Reserve Bank of New York purchasing nearly \$2.6 billion of government debt. After smaller-than-expected Treasury auctions on Thursday, prices increased slightly as excess supply fears were eased for the time being. Prices fell Friday as Fed Chairman Ben Bernanke said that the world economy is beginning to emerge from the worst recession in decades. Existing home sales were higher in July, the fourth straight month of increases. Major economic reports (and related consensus forecasts) for next week include: Tuesday: June House Price Index (+0.4%); Wednesday: July Durable Goods Orders (+3.0%, Ex Transportation +0.9%), July New Home Sales (390,000), and July New Home Sales (+1.6%); Thursday: 2Q Preliminary GDP (Annualized) (-1.4%, Price Index 0.2%) and Initial Jobless Claims (565,000); and Friday: July Personal Income (0.1%) and Personal Spending (0.2%), and August Final University of Michigan Confidence (64.0).

US Stocks:

Weekly Index Performance

| | |
|--------------------------|-------------------------|
| DJIA | 9505.96 (+184.56,+2.0%) |
| S&P 500 | 1026.13 (+22.04,+2.2%) |
| S&P MidCap | 659.60 (+13.61,+2.1%) |
| S&P Small Cap | 307.70 (+8.52,+2.9%) |
| NASDAQ Comp | 2020.90 (+35.38,+1.8%) |
| Russell 2000 | 581.51 (+17.61,+3.1%) |

Market Indicators

| |
|---|
| Strong Sectors: Energy, Health Care, Industrials |
| Weak Sectors: Materials, Telecom Svcs., Technology |
| NYSE Advance/Decline: 2,161 / 1,017 |
| NYSE New Highs/New Lows: 157 / 9 |
| AAll Bulls/Bears: 34.1% / 40.0% |

US stocks moved higher following an early-week setback as new data out supported a view the economy is finally growing again, however modestly. The indexes made new highs for the year assisted on Friday by data on July existing home sales. The data came in much stronger than expected. Also Friday Fed Chairman Bernanke made positive comments on the economy's recovery in a speech at Jackson Hole. On Monday stocks fell in sympathy with China where recent market losses had investors pondering a possible end to monetary policy stimulus in that country. Crude oil also made a new high for 2009, rising 6.2% on the week to \$73.89/bbl. Natural gas prices continued to diverge from oil, trading down to a seven-year low. Health Care shares were strong performers as the prospect for significant reform continued to dim. Retail earnings out last week were mixed. **Home Depot, Target, Limited and Dick's Sporting Goods** surpassed consensus estimates, but **Lowe's, Sears Holding and GameStop** fell short. Elsewhere, **Hewlett-Packard** reported an earnings beat but gave muted guidance on revenues. **Salesforce.com** shares surged on blowout results. Overall it was a relatively weak five days for the Tech sector. **Deere & Co.** reported a solid quarter driven by cost cutting but guidance was muted. Looking ahead, it looks to be quiet on the earnings front this week though a report from **Dell** will attract plenty of interest. A fairly busy calendar of economic data awaits investors, with reports on new home sales, housing prices and durable goods orders due out in the days ahead. The stock market continues to confound skeptics as it climbs the proverbial "wall of worry". While the signal the market is sending about the economy must be respected, the 52% rebound off the March lows may give investors pause should they stop to consider the longer-term picture that includes a weakened and still deleveraging consumer.