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For The Week Ended January 22, 2010
Weekly Market Commentary & Developments

US Economy and Credit Markets:

Yields and Weekly Changes:

3 Mo. T-Bill	0.04 (-01 bps)	**GNMA (30 Yr) 6% Coupon:** 106-17/32 (2.85%)	
6 Mo. T-Bill	0.13 (unch.)	**Duration:** 3.12 years	
1 Yr. T-Bill	0.27 (-03 bps)	**30-Year Insured Revs**: 153.8% of 30 Yr. T-Bond	
2 Yr. T-Note	0.78 (-07 bps)	**Bond Buyer 40 Yield**: 5.32% (-03 bps)	
3 Yr. T-Note	1.36 (-06 bps)	**Crude Oil Futures**: 74.19 (-3.81)	
5 Yr. T-Note	2.33 (-07 bps)	**Gold Futures**: 1093.40 (-37.10)	
10 Yr. T-Note	3.59 (-07 bps)	**Merrill Lynch High Yield Indices:**	
30 Yr. T-Bond	4.51 (-06 bps)	**BB, 7-10 Yr.**	7.53% (+09 bps)
		B, 7-10 Yr.	8.72% (+12 bps)

Treasury prices were higher this week as investors fled riskier assets over concerns ranging from potential monetary tightening in China to President Obama's proposal to limit the size and risk taking activities of U.S. Banks. Tuesday was relatively uneventful and Treasury prices closed modestly lower as equities were slightly higher. Prices gained on Wednesday over concerns of potential monetary tightening in China and the ability of the Greek government's ability to meet financing needs. In other economic news Wednesday, the PPI was up 0.20% in December, above the consensus estimate of 0.0% and December housings starts declined 4.0% to 557,000 which was shy of the 575,000 estimate. On Thursday, Treasuries rallied further as President Obama announced a proposal that would limit the size of large banks and limit risk taking activities which could hurt profitability. Prices were mixed on Friday. Major economic reports (and related consensus forecasts) for next week include: Monday: December Existing Home Sales (5.90M, -9.80% MoM), January Dallas Fed Manufacturing Activity (6.0%); Tuesday: January Richmond Fed Manufacturing Index (0); Wednesday: December New Home Sales (370K, 4.20% MoM), FOMC Rate Decision (0.25%); Thursday: December Durable Goods Orders (2.0%, 0.5% Ex Transport); Friday: 4th Quarter 2009 GDP QoQ (4.6% Annualized), January Chicago Purchasing Managers Index (57.4), January U of M Consumer Confidence (73.0).

US Stocks:

Weekly Index Performance

DJIA	10172.98 (-436.67,-4.1%)
S&P 500	1091.76 (-44.27,-3.9%)
S&P MidCap	721.64 (-21.47,-2.9%)
S&P Small Cap	329.05 (-9.49,-2.8%)
NASDAQ Comp	2205.29 (-82.70,-3.6%)
Russell 2000	617.12 (-20.84,-3.3%)

Market Indicators

Strong Sectors: Health Care, Telecomm, Consumer Staples
Weak Sectors: Materials, Financials, Energy
NYSE Advance/Decline: 643 / 2,541
NYSE New Highs/New Lows: 491 / 10
AAII Bulls/Bears: 40.0% / 34.7%

US stocks sank last week despite mostly positive earnings news as investors focused on the week's non-earnings related data points and took profits. Stocks started strong on Tuesday, especially health care names, in anticipation of a Republican victory in the Massachusetts senate race. Stocks sold off the rest of the week however due to policy concerns and news out of China. Financial shares were among the weaker sectors, despite generally positive earnings news, following Presidents Obama's proposal to limit the size and risk taking of the largest banks. China's efforts to restrain lending weighed on world equity markets as well. **Goldman Sachs** reported record profits aided by lower compensation expense. **Citigroup**, **Wells Fargo** and **Bank of America** all reported improving credit trends. **Morgan Stanley** missed forecasts due to poor trading results. **eBay** shares rose on a strong earnings report. **Google** reported strong profit gains though sales disappointed sending shares lower. Computer hard drive makers **Seagate** and **Western Digital** both reported strong results. **Starbucks** reported its first same store sales increase in two years on its way to strong quarterly results. **IBM** reported EPS ahead of forecasts though investors were disappointed with its outlook. **GE** beat expectations and reported an improving backlog. **Parker Hannifin** reported results ahead of consensus and raised its outlook on signs of improving business trends. Railroad operator **CSX** missed EPS on weak volumes. In economic data, jobless claims unexpectedly rose. Looking ahead, the coming week brings more earnings with roughly a quarter of the S&P 500 due to report. Data on consumer confidence and 4Q GDP will also be closely watched. Despite last week's selloff, conditions remain favorable for equities as earnings and economic data continue to point toward an improving business environment.