

| US Economy and Credit Markets | | | |
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| Yields and Weekly Changes: | | | |
| 3 Mo. T-Bill: | 0.15 (+01 bps) | GNMA (30 Yr) 6% Coupon: | 108-20/32 (1.84%) |
| 6 Mo. T-Bill: | 0.18 (unch.) | Duration: | 3.14 years |
| 1 Yr. T-Bill: | 0.24 (unch.) | 30-Year Insured Revs: | 178.2% of 30 Yr. T-Bond |
| 2 Yr. T-Note: | 0.41 (-03 bps) | Bond Buyer 40 Yield: | 4.87% (unch.) |
| 3 Yr. T-Note: | 0.62 (-06 bps) | Crude Oil Futures: | 81.58 (+5.02) |
| 5 Yr. T-Note: | 1.25 (-09 bps) | Gold Futures: | 1316.10 (+70.10) |
| 10 Yr. T-Note: | 2.51 (-09 bps) | Merrill Lynch High Yield Indices: | |
| 30 Yr. T-Bond: | 3.71 (-08 bps) | BB, 7-10 Yr.: | 6.58% (-12 bps) |
| | | B, 7-10 Yr.: | 8.13% (-20 bps) |

Treasury prices were higher for the week, sending yields lower – including the yield for the two-year note, which fell to a record low. With the economic recovery struggling, speculation that the Federal Reserve will be spurred to increase its buying of government debt helped push prices higher. The final reading for second quarter GDP growth showed a 1.7% annual growth rate for the economy, a 0.1% increase over the previous estimate and over consensus estimates. Manufacturing increased in September according to the ISM Index, but the pace was below the figure for August and below economists' forecasts. Also, released last week was the Bureau of Economic Analysis's August report on Personal Income and Spending, both of which increased more than forecasted. The most anticipated news this week will be Friday's employment report for September. Major economic reports (and related consensus forecasts) for next week include: Monday: August Factory Orders (-0.4%); Tuesday: September ISM Non-Manufacturing Composite (52.0); Thursday: Initial Jobless Claims (450,000) and August Consumer Credit (-\$3.3 billion); Friday: September Employment Report, including Change in Nonfarm Payrolls (unchanged), Unemployment Rate (9.7%), Average Hourly Earnings (+0.2%), and Average Weekly Hours (34.2), and August Wholesale Inventories (+0.5%).

| US Stocks | | | |
|---------------------------|-------------------------|--------------------------|--|
| Weekly Index Performance: | | Market Indicators: | |
| DJIA: | 10829.68 (-30.58,-0.3%) | Strong Sectors: | Energy, Telecom Svcs, Utilities |
| S&P 500: | 1146.24 (-2.43,-0.2%) | Weak Sectors: | Financials, Technology, Consumer Discretionary |
| S&P MidCap: | 803.89 (+7.60,+1.0%) | NYSE Advance/Decline: | 2,026 / 1,110 |
| S&P Small Cap: | 360.12 (+3.06,+0.9%) | NYSE New Highs/New Lows: | 474 / 30 |
| NASDAQ Comp: | 2370.75 (-10.47,-0.4%) | AAII Bulls/Bears: | 42.5% / 31.6% |
| Russell 2000: | 679.29 (+8.28,+1.2%) | | |

US stocks were mixed for the week, bringing to a close a string of weekly gains that added up to an impressive September for equities. The DJIA rose 7.7% last month, the S&P 500 rose 8.8% and the Nasdaq rose 12.0%. Small stocks did best with the Russell 2000 advancing 12.3%. September accounted for most of the market's gains in a solid Q3. Energy stocks were leaders last week as crude oil prices gained 6.6% to end the week at \$81.58/bbl. Gold futures continued to climb, reaching \$1,316/oz. Commodities in general were supported by talk about a new round of debt purchases ("QE2") from the Federal Reserve. The dollar weakened, mirroring the action in commodities. Economic data were mixed including some downbeat developments in Ireland, but a pair of reports out Friday helped stocks begin October on a winning note. Chinese PMI data was strong, as was US monthly data on personal income and spending. In merger news, **Unilever** announced it would buy **Alberto-Culver** for \$3.7 billion cash, **Southwest Airlines** and **AirTran Holdings** agreed to a \$1.42 billion merger, and **Wal-Mart** bid \$4.6 billion to buy South African retailer **Massmart**. **Hewlett-Packard** was busy last week, first guiding higher 2011 earnings and revenues, then announcing a new CEO. HP shares ended the week slightly lower. **Walgreen** shares rose smartly as the company's earnings beat expectations driven by higher sales of prescription drugs. **Family Dollar's** strong results showed it is firing on all cylinders in a tough economy. Looking ahead, the coming week should provide more clarity on the strength of the economic recovery with September's non-farm payrolls report due out Friday. **Alcoa** inaugurates Q3 reporting season on Thursday but investors won't get a heavy dose of corporate earnings for another couple of weeks. Investors will likely need to see some improvement on the jobs front before bidding stocks through a recent trading range.