

US Economy and Credit Markets			
Yields and Weekly Changes:			
3 Mo. T-Bill:	0.11 (-01 bps)	GNMA (30 Yr) 6% Coupon:	109-25/32 (1.26%)
6 Mo. T-Bill:	0.16 (-01 bps)	Duration:	3.12 years
1 Yr. T-Bill:	0.19 (-01 bps)	30-Year Insured Revs:	165.8% of 30 Yr. T-Bond
2 Yr. T-Note:	0.33 (-01 bps)	Bond Buyer 40 Yield:	4.93% (+05 bps)
3 Yr. T-Note:	0.49 (-03 bps)	Crude Oil Futures:	81.39 (-0.30)
5 Yr. T-Note:	1.16 (+02 bps)	Gold Futures:	1358.60 (+34.20)
10 Yr. T-Note:	2.59 (+04 bps)	Merrill Lynch High Yield Indices:	
30 Yr. T-Bond:	3.98 (+05 bps)	BB, 7-10 Yr.:	6.22% (-10 bps)
		B, 7-10 Yr.:	7.77% (-11 bps)

Treasury prices were modestly lower in the longer dated securities this week as investor sensitivity to the expectations of additional quantitative easing influenced prices lower early in the week followed by gains Thursday and Friday. In economic news this week, September existing home sales increased 10% month over month vs. the consensus estimate of 4.1% and new home sales increased 6.6% vs. the expectation of 4.2%. Durable goods orders in September were 3.3% vs. estimate of 2.0%. Excluding transportation, durable goods orders were down 0.80% vs. the estimate of a 0.50% gain. The first estimate for 3rd quarter GDP matched expectations at 2.0% and the final U of M Consumer Confidence Survey was reported at 67.7 vs. the estimate of 68.0. Major economic reports (and related consensus forecasts) for next week include: Monday: September Personal Income (0.20%), September Personal Spending (0.40%), September PCE Core Price Index (0.10%, 1.30% YoY), October ISM Manufacturing (54.0); Wednesday: October ISM Non-Manufacturing (53.5), September Factory Orders (1.50%), FOMC Rate Decision (0.25%), October Domestic Vehicle Sales (8.90 million SAAR), October Total Vehicle Sales (11.85 million SAAR); Thursday: 3rd Quarter Nonfarm Productivity (0.90%), 3rd Quarter Unit Labor Costs (0.70%); Friday: October change in nonfarm payrolls (60,000), October change in private payrolls (80,000), October change in manufacturing payrolls (-3,000), October Unemployment Rate (9.60%), September Pending Home Sales (3.0%).

US Stocks			
Weekly Index Performance:		Market Indicators:	
DJIA:	11118.49 (-14.07,-0.1%)	Strong Sectors:	Materials, Technology, Discretionary
S&P 500:	1183.26 (+0.18,+0.0%)	Weak Sectors:	Industrials, Utilities, Financials
S&P MidCap:	829.13 (+4.22,+0.5%)	NYSE Advance/Decline:	1,519 / 1,607
S&P Small Cap:	373.55 (-0.41,-0.1%)	NYSE New Highs/New Lows:	489 / 34
NASDAQ Comp:	2507.41 (+28.02,+1.1%)	AAll Bulls/Bears:	51.2% / 21.6%
Russell 2000:	703.35 (-0.08,-0.0%)		

US stocks were little changed for the week as investors looked past economic and earnings related data in anticipation of this week's mid-term elections and Fed announcement on QE2. Economic data was a mixed bag. Home sales surprised to the upside and initial jobless claims hit a four month low while both September durable goods ex-transport and Michigan Consumer Confidence were short of expectations. **Microsoft** reported strong earnings as Windows and Office sales to businesses drove results. **Motorola** handily beat forecasts as smartphone sales produced the first profit for its handset business in three years. Higher oil prices and improved refining margins boosted **Exxon Mobil's** results. **Chevron** however missed earnings on lower productivity and higher costs. Apparel maker **Jones Group** plunged as higher input costs hurt results. Several other apparel makers fell in sympathy as record high cotton prices are likely to impact results in coming quarters. **Ford** credited cost reductions and increased market share for its strong results. Ford also announced significant debt reductions. **Texas Instruments** reported in-line results and noted strength in its industrial products while remaining cautious on consumer products. **Halliburton** shares sank following a government report that questioned the stability of the cement the company used in the Macondo well. **3M** traded lower after reducing its 2010 outlook. In M&A activity, private equity firm Carlyle Group was busy in announcing a pair of acquisitions: **CommScope** for \$3.0 billion and **Syniverse Holdings** for \$2.6 billion. Looking ahead, the coming week will provide plenty of actionable events with the mid-term elections, a Fed statement on QE2 and Friday's jobs report. While expectations for the first two are likely reflected in market prices, a better than expected employment report could provide the catalyst for another leg higher for equities.