

For The Week Ended February 12th, 2010
Weekly Market Commentary & Developments

US Economy and Credit Markets:

Yields and Weekly Changes:

3 Mo. T-Bill	0.08 (unch)	GNMA (30 Yr) 6% Coupon: 106-28/32 (2.28%)
6 Mo. T-Bill	0.16 (+02 bps)	Duration: 3.14 years
1 Yr. T-Bill	0.33 (+06 bps)	30-Year Insured Revs: 149.1% of 30 Yr. T-Bond
2 Yr. T-Note	0.82 (+06 bps)	Bond Buyer 40 Yield: 5.32% (+01 bps)
3 Yr. T-Note	1.38 (+13 bps)	Crude Oil Futures: 74.20 (+2.36)
5 Yr. T-Note	2.33 (+10 bps)	Gold Futures: 1089.50 (+27.40)
10 Yr. T-Note	3.69 (+13 bps)	Merrill Lynch High Yield Indices:
30 Yr. T-Bond	4.64 (+13 bps)	BB, 7-10 Yr. 7.97% (+23 bps)
		B, 7-10 Yr. 9.27% (+28 bps)

Treasury prices were lower for the week, driven mainly by lessening fears of the condition of Greece and by large Treasury auctions. On speculation that other members of the Euro group would find a way to support Greece, the flight to the safety of Treasuries eased. Also, the demand for a total of \$81 billion in 3-, 10-, and 30-year Treasury debt auctioned was mild, helping push prices lower. In addition, in comments prepared for Congress, Fed Chairman Ben Bernanke said that the Fed would increase its target rate as economic conditions dictate, sparking speculation that the tightening of rates is on the horizon. The biggest economic news of the week was the increase in retail sales, which slightly surpassed expectations, both including and excluding automobiles. Major economic reports (and related consensus forecasts) for next week include: Wednesday: January Import Price Index (+1.0%), January Housing Starts (580,000, +4.1%), January Industrial Production (+0.8%) and Capacity Utilization (72.6%), Minutes of FOMC Meeting released, and January Budget Statement (-\$46.0 billion); Thursday: January Producer Price Index (+0.8%, Ex Food & Energy 0.1%), Initial Jobless Claims (430,000), and February Philadelphia Fed index (17.0), and January Leading Indicators (+0.5%); and Friday: January Consumer Price Index (+0.3%, ex Food & Energy +0.1%).

US Stocks:

Weekly Index Performance

DJIA	10099.14 (+86.91,+0.9%)
S&P 500	1075.51 (+9.32,+0.9%)
S&P MidCap	715.96 (+18.87,+2.7%)
S&P Small Cap	324.05 (+8.72,+2.8%)
NASDAQ Comp	2183.53 (+42.41,+2.0%)
Russell 2000	610.72 (+17.74,+3.0%)

Market Indicators

Strong Sectors:	Materials, Consumer Discretionary, Energy
Weak Sectors:	Utilities, Financials, Telecom Svcs.
NYSE Advance/Decline:	2,238 / 937
NYSE New Highs/New Lows:	129 / 26
AAII Bulls/Bears:	36.8% / 41.9%

US stocks advanced for the first week in four as sovereign credit worries centered on Greece were soothed by a commitment of support from European leaders. Markets opened the week on shaky ground with the DJIA closing Monday below 10,000 for the first time in three months. The middle part of the week saw investors preoccupied with Greece but generally willing to bid up economically-sensitive stocks and commodities. On Friday however, news of weaker than expected GDP in the Euro zone and a new monetary tightening measure out of China weighed on commodities and related equities. Meanwhile the Commerce Dept's January retail sales report showed further recovery in consumer spending here at home. Fed Chairman Bernanke outlined in written testimony to the House the central bank's likely exit strategy from extraordinary monetary stimulus. **Coca-Cola** reported a strong quarter with revenues ahead of expectations. **PepsiCo** did likewise ahead of closing the acquisition of two bottling groups this month. Both companies' results were driven by volume gains internationally. **Walt Disney's** results were ahead of expectations but showed weakness in the theme park and consumer units. **CVS Caremark** delivered a "beat and raise" quarter and declared problems in the PBM unit over. **Hasbro** shares climbed 15% on strong results. Notable earnings "misses" came from **Electronic Arts**, **Ingersoll-Rand** and **Dean Foods**. **FirstEnergy** announced it would acquire **Allegheny Energy** for \$4.7 billion in stock. **Motorola** announced a firm plan to split into two public units next year. **Berkshire Hathaway's** Class B shares gained ahead of their addition to the S&P 500. The coming holiday-shortened week contains plenty in the way of US economic data and earnings releases to occupy investors. Stocks may continue to struggle in the near term as investors look for further clarity on the sovereign credit situation and global growth prospects.