

**For The Week Ended February 19<sup>th</sup>, 2010**  
**Weekly Market Commentary & Developments**

**US Economy and Credit Markets:**

**Yields and Weekly Changes:**

<b>3 Mo. T-Bill</b>	0.09 (+01 bps)	<b>GNMA (30 Yr) 6% Coupon:</b> 106-23/32 (2.35%)
<b>6 Mo. T-Bill</b>	0.18 (+02 bps)	<b>Duration:</b> 3.18 years
<b>1 Yr. T-Bill</b>	0.35 (+02 bps)	<b>30-Year Insured Revs:</b> 146.7% of 30 Yr. T-Bond
<b>2 Yr. T-Note</b>	0.91 (+08 bps)	<b>Bond Buyer 40 Yield:</b> 5.32% (+01 bps)
<b>3 Yr. T-Note</b>	1.49 (+11 bps)	<b>Crude Oil Futures:</b> 79.95 (+5.82)
<b>5 Yr. T-Note</b>	2.45 (+12 bps)	<b>Gold Futures:</b> 1116.70 (+27.20)
<b>10 Yr. T-Note</b>	3.77 (+08 bps)	<b>Merrill Lynch High Yield Indices:</b>
<b>30 Yr. T-Bond</b>	4.71 (+06 bps)	<b>BB, 7-10 Yr.</b> 7.78% (-18 bps)
		<b>B, 7-10 Yr.</b> 8.99% (-28 bps)

Treasury yields were higher across the curve as equities rallied through the holiday shortened week. On Wednesday Treasury prices were lower as January Industrial Production figures were released at 0.90% which was higher than the consensus expectation of 0.70% and January Housing Starts reportedly increased 2.8% to a 591,000 annual rate beating the expectation of 580,000. Treasuries continued lower on Thursday after the Federal Reserve raised the discount rate from 0.50% to 0.75%. Additionally on Thursday, the January Producer Price Index was reported to have increased 1.40% which easily topped the survey estimate of 0.80%. The Consumer Price Index was reported Friday to have increased 0.20% which was slightly below the expectation of 0.30%. This eased some concerns about inflation and Treasury prices closed higher. Major economic reports (and related consensus forecasts) for next week include: Monday: February Dallas Fed Manufacturing Activity (9.5%); Tuesday: Richmond Fed Manufacturing Index (1); Wednesday: January New Home Sales (353,000, 3.20% MoM); Thursday: January Durable Goods Orders (1.5%, 0.90% Ex Transport); Friday: 4Q2009 GDP annualized (5.70%), 4Q2009 Personal Consumption annualized (2.10%), February Chicago Purchasing Managers Index (59.0), February U of M Consumer Confidence (74.0), January Existing Home Sales (5.50 million, 0.90% MoM).

**US Stocks:**

**Weekly Index Performance**

<b>DJIA</b>	10402.35 (+303.21,+3.00%)
<b>S&amp;P 500</b>	1109.17 (+33.66,+3.13%)
<b>S&amp;P MidCap</b>	740.16 (+24.20,+3.38%)
<b>S&amp;P Small Cap</b>	335.57 (+11.52,+3.56%)
<b>NASDAQ Comp</b>	2243.87 (+60.34,+2.76%)
<b>Russell 2000</b>	631.62 (+20.90,+3.42%)

**Market Indicators**

<b>Strong Sectors:</b> Basic Materials, Industrials, Financials
<b>Weak Sectors:</b> Telecommunications, Health Care, Consumer Goods
<b>NYSE Advance/Decline:</b> 2,599 / 587
<b>NYSE New Highs/New Lows:</b> 342 / 7
<b>AAII Bulls/Bears:</b> 35.9% / 35.2%

For the second straight week, US stocks climbed higher giving them their best two-week showing in three months. Investors started the holiday-shortened week showing less concern for the debt crisis in Greece and instead focusing on positive economic signs in the US. The Fed's decision later in the week to raise the discount rate on emergency loans 25 basis points was not interpreted by investors as a start to other rate hikes as the market shrugged it off and continued climbing. Almost 68% of companies have reported 4<sup>th</sup> quarter profits that have exceeded analysts' expectations. This trend continued last week as **Whole Foods** reported strong fiscal 1<sup>st</sup> quarter earnings and rallied over 13% for the week. **JC Penney's** shares rose over 11% after reporting impressive 4<sup>th</sup> quarter earnings due to better inventory management and raising their 2010 forecast. The fertilizer maker **Terra Industries** agreed to be bought by **Yara International** for \$41 cash per share after rebuffing CF Industries' much lower offer. **Barclays'** shares rose about 16% after reporting that 2009 profit more than doubled at the bank. The oil-services company **Smith International** was reported by *The Wall Street Journal* to be in talks to be acquired by Schlumberger which caused the shares to rise about 18% last week. The rumors proved correct over the weekend as Smith agreed to be bought in an \$11b stock deal. Looking ahead to the coming week, investors will be hoping for some monetary policy insight on Wednesday when Bernanke discusses the Fed's semiannual monetary policy report before the House Committee on Financial Services. Fourth-quarter earnings reports also continue to roll in as **Nordstrom**, **Lowe's**, **Campbell Soup** and **Medco Health** all report this week.