

For The Week Ended July 16, 2010
Weekly Market Commentary & Developments

US Economy and Credit Markets:
Yields and Weekly Changes:

3 Mo. T-Bill	0.14 (unch.)	GNMA (30 Yr) 6% Coupon: 109-17/32 (1.00%)
6 Mo. T-Bill	0.18 (unch.)	Duration: 3.09 years
1 Yr. T-Bill	0.24 (-03 bps)	30-Year Insured Revs: 172.7% of 30 Yr. T-Bond
2 Yr. T-Note	0.58 (-04 bps)	Bond Buyer 40 Yield: 5.13% (-01 bps)
3 Yr. T-Note	0.92 (-08 bps)	Crude Oil Futures: 75.82 (-0.27)
5 Yr. T-Note	1.67 (-16 bps)	Gold Futures: 1192.90 (-16.90)
10 Yr. T-Note	2.92 (-13 bps)	Merrill Lynch High Yield Indices:
30 Yr. T-Bond	3.93 (-09 bps)	BB, 7-10 Yr.: 7.27% (-21 bps)
		B, 7-10 Yr.: 8.73% (-23 bps)

Treasury prices ended higher this week after beginning the week lower Monday and Tuesday. Lower prices Monday and Tuesday came as investors expressed optimism on corporate earnings. Prices moved higher Wednesday as the Fed released minutes from the June policy meeting and lowered the forecast for 2010 growth to 3.0 - 3.5% from 3.2 - 3.7% and June Advance Retail Sales were reported lower at -0.50% vs. the expectation of -0.30%. Prices continued higher Thursday as the June Producer Price Index was reported at -0.50% vs. the expectation of -0.10% and the Philadelphia Fed Business Outlook Survey was reported at 5.1 vs. the estimate of 10.0. Also Thursday, the Empire Manufacturing Index was reported at 5.08 vs. the survey estimate of 18.0 while June Industrial Production was higher at 0.10% vs. the expectation of -0.10% and Capacity Utilization was in line with the estimate of 74.10%. Prices continued higher Friday as June CPI declined 0.10%, matching expectations. Excluding food and energy, June CPI was up 0.20% vs. the expectation of 0.10%. Preliminary June U of M Consumer Confidence was 66.5 vs. the expectation of 74.0. Major economic reports (and related consensus forecasts) for next week include: Tuesday: June Housing Starts (579K, -2.40% MoM), June Building Permits (575K, 0.20% MoM), Thursday: June Existing Home Sales (5.10M, -9.90% MoM), June Leading Indicators (-0.30%).

US Stocks:
Weekly Index Performance

DJIA	10097.90 (-100.13,-1.0%)
S&P 500	1064.88 (-13.08,-1.2%)
S&P MidCap	726.96 (-12.93,-1.7%)
S&P Small Cap	329.06 (-9.50,-2.8%)
NASDAQ Comp	2179.05 (-17.40,-0.8%)
Russell 2000	610.39 (-19.04,-3.0%)

Market Indicators

Strong Sectors: Consumer Staples, Technology, Telecomm
Weak Sectors: Financials, Industrials, Materials
NYSE Advance/Decline: 1,225 / 1,398
NYSE New Highs/New Lows: 206 / 43
AAll Bulls/Bears: 39.4% / 37.8%

US stocks fell last week on lackluster corporate results and sluggish economic data. Earnings season began on a positive note when **Alcoa** reported strong results and raised its 2010 aluminum consumption forecast. **CSX** also reported solid earnings noting strong volumes across all lines of business though its shares fell. The remainder of the week produced more mixed results. **Intel** handily surpassed estimates as strong corporate spending boosted gross margins. **Yum! Brands** fell following solid results on concern about commodity and labor cost pressures in China. Lower loan write-offs boosted **JPMorgan's** results though investment banking disappointed. Likewise, **Citigroup** and **Bank of America** benefitted from lower credit costs though disappointing trading results sent the shares lower. Higher R&D and hiring expenses resulted in EPS below forecasts from **Google**. **General Electric** reported EPS ahead of forecasts on cost cuts. The SEC announced **Goldman Sachs** will pay \$550 million to settle its subprime mortgage suit. **Apple** shares drifted lower due to reported antennae issues with its new iPhone. In economic news, June retail sales were sluggish, the Philly Fed and Empire Manufacturing surveys were weaker than expected and the U of Michigan consumer sentiment survey fell to its lowest level in almost a year. Industrial production was a little stronger than expected while the PPI and CPI reports both showed inflation remains in check. The Senate passed financial reform legislation and it now awaits the President's signature. In merger news, **Aon** agreed to pay \$4.9 billion for human resource outsourcer **Hewitt Associates** while **Tyco Electronics** will pay \$1.25 billion for **ADC Telecommunications**. Looking ahead, earnings seasons kicks into high gear with numerous blue chips reporting this week. Equity valuations look compelling though investors appear unconvinced and will likely require more clarity on the outlook for the remainder of the year before committing new capital.