

For The Week Ended July 23rd, 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: 109-18/32 (0.78%)
6 Mo. T-Bill	0.18 (unch)	Duration: 3.10 years
1 Yr. T-Bill	0.24 (unch)	30-Year Insured Revs: 169.3% of 30 Yr. T-Bond
2 Yr. T-Note	0.57 (-01 bps)	Bond Buyer 40 Yield: 5.11% (-02 bps)
3 Yr. T-Note	0.94 (+02 bps)	Crude Oil Futures: 78.99 (+3.17)
5 Yr. T-Note	1.72 (+05 bps)	Gold Futures: 1188.10 (-4.80)
10 Yr. T-Note	2.99 (+07 bps)	Merrill Lynch High Yield Indices:
30 Yr. T-Bond	4.01 (+08 bps)	BB, 7-10 Yr.: 7.17% (-10 bps)
		B, 7-10 Yr.: 8.57% (-16 bps)

Prices on longer maturity Treasury notes were lower for the week as equity markets rebounded, while shorter term notes and Treasury bills were little changed from their levels to begin the week. After Treasuries declined Monday on corporate earnings news, they rose slightly Tuesday as housing starts fell by 5.1% in June. Prices were higher Wednesday, pushing the yield on the benchmark 10-year note to its lowest since April 2009 as Fed Chairman Ben Bernanke told Congress that the outlook for the economy is "unusually uncertain." A strong equity market rebound in stocks on Thursday, sent bond prices lower as investors moved away from the safety of Treasuries. Treasuries fell again Friday as stocks climbed again on strong corporate earnings. Major economic reports (and related consensus forecasts) for next week include: Monday: June New Home Sales (312,000); Wednesday: June Durable Goods Orders (+1.0%, less Transportation +0.4%) and Fed's Beige Book released; Thursday: Initial Jobless Claims (460,000); and Friday: 2Q Advance Gross Domestic Product (+2.5%, Personal Consumption +2.3%, Price Index +1.1%), July Chicago Purchasing Manager Index (56.0), and July Final University of Michigan Consumer Confidence (67.0).

US Stocks:

Weekly Index Performance

DJIA	10424.62 (+326.72,+3.2%)
S&P 500	1102.66 (+37.78,+3.6%)
S&P MidCap	763.51 (+36.55,+5.0%)
S&P Small Cap	349.22 (+20.16,+6.1%)
NASDAQ Comp	2269.47 (+90.42,+4.2%)
Russell 2000	650.65 (+40.26,+6.6%)

Market Indicators

Strong Sectors:	Industrials, Materials, Consumer Discretionary
Weak Sectors:	Health Care, Consumer Staples, Utilities
NYSE Advance/Decline:	2,797 / 378
NYSE New Highs/New Lows:	331 / 87
AAll Bulls/Bears:	32.2% / 45.0%

US stocks notched impressive weekly gains helped by two strong sessions Thursday and Friday. Investors were encouraged by earnings results and forecasts from a wide swath of corporate America. Two themes apparent were improved credit trends amongst Financials and optimism in the industrial sector of the economy. Investors were wary ahead of Friday's session due to the scheduled release of results from stress tests on European banks. With results out - only 7 of 91 institutions tested failed and a combined \$4.5 billion capital shortfall - stocks ran higher in afternoon trading. Economic data confirmed to no-one's surprise the housing and job markets remain weak. Fed Chairman Bernanke testified to Congress the economic outlook was "unusually uncertain" but promised no further monetary stimulus. Highlights from Technology firms reporting included another blowout quarter from **Apple**, strong results from **Microsoft** that were met with indifference, good earnings from **IBM** offset by light revenues, and **Amazon's** mixed results. **Goldman Sachs'** earnings and revenues tumbled from the prior year as trading and investment banking activity slumped. **Morgan Stanley** did relatively better, with strong trading performance lifting results ahead of expectations. **Wells Fargo's** results were typical of most banks reporting, with easing loan losses padding earnings. **PepsiCo's** earnings beat by a penny and the company confirmed annual targets. **Johnson & Johnson** reported a top line miss and cut earnings guidance. Reports from **Caterpillar**, **3M**, **United Technologies** and **Eaton** were unanimously upbeat. Reports from **UPS** and **Union Pacific** confirmed ongoing strength in shipping and transportation. **General Electric** boosted its quarterly dividend 20%. **BP** confirmed it is selling \$7 billion in oil & gas assets to **Apache** to help pay for spill clean up. Looking ahead, the earnings parade continues this week with Energy companies and drug-makers in focus. Based on reports to-date, the outlook for corporate profits is positive and reinforces the attractiveness of stocks at current levels.