

For The Week Ended August 20th, 2010
Weekly Market Commentary & Developments

US Economy and Credit Markets:

Yields and Weekly Changes:

3 Mo. T-Bill	0.15 (unch)	GNMA (30 Yr) 6% Coupon: 108-18/32 (1.40%)
6 Mo. T-Bill	0.18 (unch)	Duration: 3.13 years
1 Yr. T-Bill	0.23 (unch)	30-Year Insured Revs: 186.0% of 30 Yr. T-Bond
2 Yr. T-Note	0.48 (-04 bps)	Bond Buyer 40 Yield: 4.91% (-10 bps)
3 Yr. T-Note	0.77 (-03 bps)	Crude Oil Futures: 73.46 (-1.93)
5 Yr. T-Note	1.45 (-01 bps)	Gold Futures: 1227.70 (+12.80)
10 Yr. T-Note	2.61 (-05 bps)	Merrill Lynch High Yield Indices:
30 Yr. T-Bond	3.65 (-19 bps)	BB, 7-10 Yr.: 6.92% (-12 bps)
		B, 7-10 Yr.: 8.56% (-10 bps)

Treasury notes were modestly higher this week and the 30-year bond was driven to larger gains as investors remain concerned about the economic outlook. Equities slumped and Treasury prices gained Monday on economic concerns as the August Empire Manufacturing Index was reported at 7.10 vs. the expectation of 8.00. On Tuesday, Treasury prices reversed course as investor's appetite for riskier assets returned after July Industrial Production was reported at 1.0% vs. the estimate of 0.50% easing economic concerns. The Philadelphia Fed Index was reported at -7.7 vs. the consensus expectation of positive 7.0 on Thursday which was the main catalyst driving Treasury prices higher in flight to safety. The government is planning to issue \$37 billion in 2-year notes, \$36 billion in 5-year notes and \$29 billion in 7-year notes next week. Major economic reports (and related consensus forecasts) for next week include: Tuesday: July Existing Home Sales (4.60M, -14.30% MoM), August Richmond Fed Manufacturing Index (8); Wednesday: July Durable Goods Orders (3.0%, 0.50% Ex-Transportation), July New Home Sales (330K, 0.0% MoM); Friday: 2nd Quarter 2010 GDP QoQ (1.40% Annualized), 2nd Quarter 2010 Personal Consumption (1.60%), 2nd Quarter 2010 GDP Price Index (1.80%), 2nd Quarter 2010 Core PCE QoQ (1.10%), August U of M Consumer Confidence (69.6).

US Stocks:

Weekly Index Performance

DJIA	10213.62 (-89.53,-0.9%)
S&P 500	1071.69 (-7.56,-0.7%)
S&P MidCap	736.52 (+1.93,+0.3%)
S&P Small Cap	326.97 (+0.51,+0.2%)
NASDAQ Comp	2179.76 (+6.28,+0.3%)
Russell 2000	610.78 (+1.29,+0.2%)

Market Indicators

Strong Sectors:	Technology, Materials, Consumer Discretionary
Weak Sectors:	Energy, Financials, Health Care
NYSE Advance/Decline:	1,642 / 1,506
NYSE New Highs/New Lows:	438 / 142
AAll Bulls/Bears:	30.1% / 42.5%

US stocks turned in a mixed performance as concern over the economy was offset by a series of M&A announcements. Large stocks declined for a second straight week and are now in negative territory for August and year-to-date. Small stocks and Technology shares outperformed. Trading volumes were seasonally light. Weighing on sentiment was some weak economic data, in particular an unexpected uptick in weekly initial jobless claims. Crude oil fell 2.6%, weighing on Energy shares. Deal activity included **BHP Billiton's** hostile \$38.6 billion bid for **Potash Corp of Saskatchewan**, **Intel's** \$7.7 billion cash purchase of **McAfee**, a private equity purchase of **Pactiv** worth \$4.6 billion, **First Niagara Financial** buying **NewAlliance Bancshares** for \$1.5 billion, and **Dell** buying **3Par** for \$1.2 billion. **General Motors** filed for an IPO later this year. GM is expected to raise as much as \$15 billion. Technology and retail firms dominated earnings announcements. Dell reported higher revenues and profits but gross margins disappointed. **Hewlett Packard** reported in-line results. Standout results came from **Intuit** and **Salesforce.com**. Shares of both companies gained about 16% on the week. Among retailers, **Lowe's** missed on the top and bottom lines but investors were largely forgiving. **Home Depot** followed with mixed results but the company raised earnings guidance. **Wal-Mart's** domestic same-store sales fell yet again but international sales were strong and cost controls helped earnings beat expectations. **Target** fell short on revenues, but investors were relieved the company's outlook was not worse. **Deere** shares were little changed for the week, running up ahead of earnings then selling off after the company reported a top line miss. Looking ahead, the coming week is light on earnings reports but economic data due out includes existing home sales, durable goods orders and second-quarter GDP. Stock valuations appear attractive at present levels when benchmarked against consensus forward earnings estimates.