

US Economy and Credit Markets			
Yields and Weekly Changes:			
3 Mo. T-Bill:	0.12 (-01 bps)	GNMA (30 Yr) 6% Coupon:	108-21/32 (1.40%)
6 Mo. T-Bill:	0.18 (unch.)	Duration:	3.06 years
1 Yr. T-Bill:	0.22 (-02 bps)	30-Year Insured Revs:	175.4% of 30 Yr. T-Bond
2 Yr. T-Note:	0.51 (-03 bps)	Bond Buyer 40 Yield:	4.90% (+03 bps)
3 Yr. T-Note:	0.78 (-02 bps)	Crude Oil Futures:	74.34 (-0.83)
5 Yr. T-Note:	1.48 (-01 bps)	Gold Futures:	1247.30 (+11.30)
10 Yr. T-Note:	2.70 (+06 bps)	Merrill Lynch High Yield Indices:	
30 Yr. T-Bond:	3.78 (+10 bps)	BB, 7-10 Yr.:	6.94% (unch.)
		B, 7-10 Yr.:	8.58% (-04 bps)

Treasury prices started the week higher before posting declines Wednesday through Friday and ultimately ended generally flat with the exception of the longer dated 10-year note and 30-year bond which ended lower. The rally Monday was influenced by the decision by the Bank of Japan to continue to ease monetary policy. Also Monday, July personal income reportedly increased slightly less than expected as spending increased slightly more. Treasury prices were weaker Wednesday through Friday as better than expected economic data eased concerns and investors increased demand for riskier assets. Wednesday, the August ISM Manufacturing Index was reported at 56.3 which was significantly higher than the consensus expectation of 52.8. Prices continued lower Thursday in anticipation of the payroll report scheduled for Friday and better than expected July pending home sales which were up 5.20% vs. the expectation of a 1.0% decline. Friday, the August non-farm payroll report showed a decline of 54,000 which was much lower than the expectation of a loss of 105,000. This triggered additional selling in the Treasury market as equities were driven higher. Additionally Friday, the unemployment rate increased to 9.60% from 9.50% matching expectations and the August ISM Non-Manufacturing Index was reported at 51.5 vs. the expectation of 53.2. Major economic reports (and related consensus forecasts) for next week include: Wednesday: July Consumer Credit (-\$4.8 billion); Thursday: July Trade Balance (-\$47.3 billion); Friday: July Wholesale Inventories (0.40%).

US Stocks			
Weekly Index Performance:		Market Indicators:	
DJIA:	10447.93 (+297.28,+2.9%)	Strong Sectors:	Financials, Consumer Discretionary, Industrials
S&P 500:	1104.51 (+39.92,+3.8%)	Weak Sectors:	Utilities, Telecomm, Consumer Staples
S&P MidCap:	766.52 (+32.22,+4.4%)	NYSE Advance/Decline:	2,595 / 562
S&P Small Cap:	343.82 (+13.60,+4.1%)	NYSE New Highs/New Lows:	458 / 110
NASDAQ Comp:	2233.75 (+80.12,+3.7%)	AAII Bulls/Bears:	30.8% / 42.2%
Russell 2000:	643.36 (+26.60,+4.3%)		

U.S. stocks rallied as better data on housing and employment eased double dip fears and encouraged risk-taking by investors. Stocks made an inauspicious start to the week Monday with the DJIA declining triple-digits in the lowest-volume trading session year to date. On Tuesday early gains evaporated following the release of the August FOMC minutes. The S&P 500 declined 4.7% in August, its worst August showing in 9 years. A broad-based rally ensued Wednesday after positive readings came on both Chinese and US manufacturing. On Thursday stocks rose modestly but steadily to close at session highs. An index of pending home sales rose more than expected in July, and weekly jobless claims fell more than expected. Investors were relieved by Friday's August jobs report which showed fewer jobs lost overall with gains in the private sector. Stocks were strong into the close of trading Friday. August same-store sales at retailers were generally ahead of modest expectations. **Costco**, **Macy's**, **Kohl's** and **Nordstrom** did particularly well. **Hewlett-Packard** won the bidding war with **Dell** for **3PAR**, the final tab amounting to \$2.1 billion in cash. HP also announced a \$10 billion share buyback last week. HP shares advanced 6.2% for the week. **3M** agreed to acquire biometric ID specialist **Cogent** in a deal worth \$943 million. **Burger King** announced it will be taken private for \$4 billion cash. **Sanofi-Aventis** went public with an \$18.5 billion bid for **Genzyme**, which the target company rejected. **Monsanto** shares fell as the company forecast lower full year earnings. **Joy Global** boosted its profit outlook and sounded optimistic about demand for mining equipment. **Netflix** shares rose 10% as the company announced an internet video deal with **Apple**. Looking ahead, the coming week is fairly light in terms of economic data and corporate earnings scheduled for release. Stocks could gather momentum if investors start to sense a self-sustaining economic recovery is in place, complete with solid double-digit corporate earnings growth.