

US Economy and Credit Markets			
Yields and Weekly Changes:			
3 Mo. T-Bill:	0.02 (unch.)	GNMA (30 Yr) 6% Coupon:	111-13/32 (1.85%)
6 Mo. T-Bill:	0.06 (-04 bps)	Duration:	3.73 years
1 Yr. T-Bill:	0.16 (-03 bps)	30-Year Insured Revs:	157.2% of 30 Yr. T-Bond
2 Yr. T-Note:	0.39 (-08 bps)	Bond Buyer 40 Yield:	5.24% (-02 bps)
3 Yr. T-Note:	0.67 (-14 bps)	Crude Oil Futures:	96.46 (+1.52)
5 Yr. T-Note:	1.57 (-21 bps)	Gold Futures:	1544.8 (+62.20)
10 Yr. T-Note:	3.02 (-16 bps)	Merrill Lynch High Yield Indices:	
30 Yr. T-Bond:	4.28 (-11 bps)	BB, 7-10 Yr.:	6.47% (-11 bps)
		B, 7-10 Yr.:	7.68% (-13 bps)

Treasury prices finished the week higher as Friday's jobs report came in below expectations. Prices rose on Tuesday and Wednesday after Moody's downgraded Portugal's long-term bond ratings to junk and China once again announced it will raise interest rates. Thursday's better than anticipated ADP employment data sent prices lower for the day, but gains were quickly recouped on Friday as the unemployment rate ticked up to 9.2% while no change was expected. The change in Nonfarm and Private payrolls of 18,000 and 57,000 were also below consensus expectations of 105,000 and 132,000 respectively. In other economic news this week, June ISM Non-Manufacturing Composite declined to 53.3 and was lower than the predicted 53.7. Major economic reports (and related consensus forecasts) for next week include: Tuesday: May Trade Balance (-\$44.0 billion) and Minutes of FOMC Meeting released; Wednesday: June Import Price Index (-0.7% MoM, +13.2% YoY); Thursday: June Producer Price Index (-0.1% MoM, +7.4% YoY), June Producer Price Index Excluding Food and Energy (+0.2% MoM, +2.2% YoY) June Advance Retail Sales (0.0%, Less Autos +0.1%), Initial Jobless Claims (410,000), and Business Inventories (+0.8%); Friday: June Consumer Price Index (-0.1% MoM, +3.6% YoY), June Consumer Price Index Excluding Food and Energy (+0.2% MoM, +1.6% YoY), July Empire Manufacturing Index (4.20), June Industrial Production (+0.3%), June Capacity Utilization (77.0%) and July Preliminary U of M Consumer Confidence (72.5).

US Stocks			
Weekly Index Performance:		Market Indicators:	
DJIA:	12657.20 (+74.43,+0.6%)	Strong Sectors:	Technology, Materials, Energy
S&P 500:	1343.80 (+4.13, +0.3%)	Weak Sectors:	Telecom, Financials, Health Care
S&P MidCap:	1004.98 (+9.93,+1.0%)	NYSE Advance/Decline:	1,871 / 1,269
S&P Small Cap:	457.88 (+5.96,+1.3%)	NYSE New Highs/New Lows:	366 / 30
NASDAQ Comp:	2859.81 (-43.78,+1.6%)	AAII Bulls/Bears:	41.8% / 24.7%
Russell 2000:	852.57 (+12.53,+1.5%)		

US stocks moved higher in a short week of trading as optimism over the coming earnings reporting season remained in evidence even after Friday's surprisingly weak monthly employment report. Stocks stumbled following the government's report showing only 18,000 jobs added in June, far fewer than expected. Investors had been set up by a strong report from ADP on private payrolls out the day before. Yet by Friday's close stocks had recovered nicely from steep early losses. Investors kept a wary eye on developments in Europe, where prospects for private sector participation in an aid package for Greece appeared to dim and Portugal's debt was downgraded. Meanwhile the ECB hiked interest rates for the second time since April. China raised lending rates as well. Pro-cyclical sectors fared best last week indicating investors held a view the soft patch in the economy would be transitory. Oil, gold and copper prices rose. An index of June retail same-store sales rose 6.5%, surpassing expectations. **Costco** posted a 14% jump in sales, though sales were inflated by gasoline. **Target**, **Kohl's** and **Macy's** pleased investors with their numbers while **J.C. Penney** disappointed. **Walgreen's** same-store sales rose 4.8%, aided by good results from both the front-end and the pharmacy. Elsewhere, **Netflix** announced it is expanding its streaming service to Latin America and the Caribbean. Netflix shares advanced 10% on the week. **Immucor** agreed to be taken private by TPG Capital for \$1.6 billion cash. Looking ahead, earnings season begins Monday with results from **Alcoa** due out after the close. Later in the week key banks **JPMorgan Chase** and **Citigroup** will offer up results. **Google** will report in the coming week as well. Corporations will need to reassure investors the outlook for earnings growth remains positive, especially since headwinds facing the US economy from jobs and housing remain formidable.