

US Economy and Credit Markets			
Yields and Weekly Changes:			
3 Mo. T-Bill:	0.09 (+06 bps)	GNMA (30 Yr) 6% Coupon:	111-27/32 (1.59%)
6 Mo. T-Bill:	0.15 (+08 bps)	Duration:	3.65 years
1 Yr. T-Bill:	0.20 (+03 bps)	30-Year Insured Revs:	162.9% of 30 Yr. T-Bond
2 Yr. T-Note:	0.35 (-03 bps)	Bond Buyer 40 Yield:	5.24% (+03 bps)
3 Yr. T-Note:	0.54 (-12 bps)	Crude Oil Futures:	95.85 (-4.02)
5 Yr. T-Note:	1.35 (-15 bps)	Gold Futures:	1626.40 (+24.9)
10 Yr. T-Note:	2.80 (-16 bps)	Merrill Lynch High Yield Indices:	
30 Yr. T-Bond:	4.12 (-13 bps)	BB, 7-10 Yr.:	6.38% (unch.)
		B, 7-10 Yr.:	7.60% (+03 bps)

Treasury prices fell on the short end of the curve and rose on the remaining parts of the curve as Republicans and Democrats continued their attempts to agree on the debt debate and Friday's GDP number fell short of expectations. Prices fluctuated throughout the week as speculation on the success or failure of a debt resolution swung back and forth. Prices moved the most on Friday as the annualized 2Q GDP of number +1.3% was reported below expectations of +1.8%. The prior estimate of +1.9% was also revised down to +0.4%. Other economic news reported during the week was the Dallas Fed Manufacturing Index reported at a -2.0 value against the projected -5.0. The May S&P/Case-Schiller Composite Home Price Index was flat on a MoM basis versus the anticipated 0.05% decline and on a YoY basis shrunk 4.50%, less than the expected 4.51% decline. Initial Jobless Claims were reported at 398,000 versus expectations of 415,000. Major economic reports (and related consensus forecasts) for next week include: Monday: June Construction Spending (0.1%) and July ISM Manufacturing (54.5); Tuesday: June Personal Income (+0.2%), June Personal Spending (+0.1%), July Vehicle Sales – Annualized (11.8M Total, 9.3 Domestic); Wednesday: June Factory Orders (-0.8%); Thursday: Initial Jobless Claims (405,000); Friday: July Change in Nonfarm Payrolls (90,000), July Change in Private Payrolls (115,000), July Unemployment Rate (9.2%), July Average Hourly Earnings (+0.2%) July Average Weekly Hours (34.3) and June Consumer Credit (\$5.0B).

US Stocks			
Weekly Index Performance:		Market Indicators:	
DJIA:	12143.24 (-537.92,-4.2%)	Strong Sectors:	Utilities, Consumer Staples, Technology
S&P 500:	1292.28 (-52.74, -3.9%)	Weak Sectors:	Industrials, Materials, Energy
S&P MidCap:	943.42 (-48.37,-4.9%)	NYSE Advance/Decline:	299 / 2,890
S&P Small Cap:	430.16 (-22.45,-5.0%)	NYSE New Highs/New Lows:	132 / 233
NASDAQ Comp:	2756.38 (-102.45,-3.6%)	AAII Bulls/Bears:	37.8% / 31.4%
Russell 2000:	797.03 (-44.79,-5.3%)		

US stocks slumped to their worst weekly losses in a year as investors became increasingly worried about the government's inability to reach a deal to raise the debt ceiling. The prospect of a US debt downgrade mounted and intersected with broader questions about the trajectory of the economy. It did appear investors were beginning to contemplate the possibility of outright default by the US government regardless of how unlikely such an outcome might be. While all sectors finished in the red for the week, defensive sectors fared better than cyclical sectors. Gold prices hit a new record. The report on second quarter GDP was disappointing and showed consumer spending had slowed. Away from the headlines there were positive data points. Weekly jobless claims fell. Corporate profit reports on the whole surprised positively. It was a strong week for IPO's, highlighted by **Dunkin' Brands Group** which closed the week with a 52% gain. **Amazon.com's** quarterly results surpassed expectations even as earnings fell from the prior year on heavy investment spending. **Ford Motor** showed nice progress on its turnaround with above-consensus results but investors sold the news. **Starbucks** delivered a beat-and-raise report and announced plans to open 800 new outlets. **Eaton, Baker Hughes, Boeing and Dow Chemical** all reported strong results. **Exxon Mobil** fell short of earnings expectations even though profits surged 41% as low natural gas prices impacted results. **Juniper Networks** shares tumbled 25% as the company attributed its weak results to delayed spending by customers amid macro uncertainty. Looking ahead, the wildcard for investors this week is undoubtedly Tuesday's deadline for a deal on the debt ceiling. While little else may appear to matter in the short term, data on the economy due out including Friday's jobs report will provide new evidence for investors to incorporate into their outlook. How the economy and profits fare as fiscal austerity takes hold looks important to stocks in the longer term.

