

US Economy and Credit Markets			
Yields and Weekly Changes:			
3 Mo. T-Bill:	0.005 (unch.)	GNMA (30 Yr) 6% Coupon:	113-14/32 (0.77%)
6 Mo. T-Bill:	0.06 (+03 bps)	Duration:	3.45 years
1 Yr. T-Bill:	0.09 (-01 bps)	30-Year Insured Revs:	171.1% of 30 Yr. T-Bond
2 Yr. T-Note:	0.18 (-10 bps)	Bond Buyer 40 Yield:	5.07% (+05 bps)
3 Yr. T-Note:	0.32 (-17 bps)	Crude Oil Futures:	85.40 (-1.48)
5 Yr. T-Note:	0.95 (-30 bps)	Gold Futures:	1745.50 (+96.70)
10 Yr. T-Note:	2.25 (-31 bps)	Merrill Lynch High Yield Indices:	
30 Yr. T-Bond:	3.72 (-13 bps)	BB, 7-10 Yr.:	7.13% (+45 bps)
		B, 7-10 Yr.:	8.62% (+62 bps)

Treasury prices pushed higher this week on the middle and long end of the curve while the front end was relatively unchanged. Even after S&P downgraded the US long-term credit from AAA to AA+ late Friday evening the beginning of the week saw prices approach record highs as investors continued to seek a safe haven. Demand for risk returned Thursday and prices abated as the initial and continuing jobless claims reports were better than expected. The Federal Reserve also announced that it will be keeping rates at current levels through 2013. Prices were slightly higher Friday as U of M consumer confidence came in short of the expected 62.0 at 54.9. Retail sales less autos reported a positive surprise however growing 0.5% compared to the anticipated 0.3%. Major economic reports (and related consensus forecasts) for next week include: Monday: August Empire Manufacturing Index (0.0); Tuesday: July Import Price Index (-0.1% MoM, +13.3% YoY), July Housing Starts (600,000, -4.6% MoM), July Building Permits (605,000, -1.9% MoM), July Industrial Production (+0.5%) and July Capacity Utilization (77.0%); Wednesday: July Producer Price Index (+0.1% MoM, +7.0% YoY) and July Producer Price Index Excluding Food and Energy (+0.2% MoM, +2.3% YoY); Thursday: July Consumer Price Index (+0.2% MoM, +3.3% YoY), July Consumer Price Index Excluding Food and Energy (+0.2% MoM, +1.7% YoY), Initial Jobless Claims (400,000), July Leading Indicators (0.2%), August Philadelphia Fed Index (3.7) and July Existing Home Sales (4.90 million, 2.7% MoM).

US Stocks			
Weekly Index Performance:		Market Indicators:	
DJIA:	11269.02 (-175.59,-1.5%)	Strong Sectors:	Materials, Health Care, Technology
S&P 500:	1178.81 (-20.57,-1.7%)	Weak Sectors:	Financials, Energy, Telecomm
S&P MidCap:	843.08 (-1.70,-0.2%)	NYSE Advance/Decline:	1,323/ 1,883
S&P Small Cap:	380.75 (-9.14,-2.3%)	NYSE New Highs/New Lows:	20 / 1,510
NASDAQ Comp:	2507.98 (-24.43,-1.0%)	AAll Bulls/Bears:	33.4% / 44.8%
Russell 2000:	697.50 (-17.13,-2.4%)		

US stocks ended the see-saw week with modest losses after the daily action rotated between fear and euphoria. Volatility was extreme as the first four days of trading produced daily moves of at least 4% in either direction. Monday saw the worst losses following S&P's downgrade of US debt as investors fled risk. Equities soared the following day after the Fed indicated short term rates would stay low through 2013 in acknowledgment of a sluggish economy. The health of French banks sent stocks tumbling Wednesday only to rebound on Thursday following better than expected weekly jobless claims. Gold soared on the week topping \$1800/oz. before settling at \$1746.90/oz. while oil stumbled below \$80/bbl before ending the week down 2% at \$85.38/bbl. **Cisco** shares jumped after quarterly results beat forecasts following several disappointing quarters. The bulk of week's earnings reports came from the retail sector. **Ralph Lauren** reported strong top and bottom line results as both online and bricks and mortar sales were strong. **Kohl's** reported solid results on strong store brand sales. **Nordstrom's** quarter was boosted by strong full price selling which led to increased margins. **Macy's** reported strong results and raised its forecast for the rest of the year. **JC Penney** and **Dillard's** fell after inline results. **Advanced Auto Parts** reported results ahead of estimates. **Disney** reported better than expected results but shares fell on fears a slowing economy and weaker consumer confidence will weigh on future results. **McDonalds** reported a strong July sales gain of 5.1%. **Bank of America** shares tumbled after **AIG** sued the bank for mortgage related losses. In merger news, **Capital One** will buy the US credit card operations of **HSBC** for \$2.6 billion. Looking ahead, earnings season is largely behind us so the economy will be squarely in focus going forward. While the recent volatility can be unnerving, those with patience and a longer term focus should find equity valuations compelling.