

US Economy and Credit Markets			
Yields and Weekly Changes:			
3 Mo. T-Bill:	0.00 (unch.)	GNMA (30 Yr) 6% Coupon:	112-06/32 (1.22%)
6 Mo. T-Bill:	0.01 (-01 bps)	Duration:	3.37 years
1 Yr. T-Bill:	0.09 (+02 bps)	30-Year Insured Revs:	223.5% of 30 Yr. T-Bond
2 Yr. T-Note:	0.21 (+05 bps)	Bond Buyer 40 Yield:	4.87% (-14 bps)
3 Yr. T-Note:	0.36 (+04 bps)	Crude Oil Futures:	80.32 (-7.64)
5 Yr. T-Note:	0.86 (-04 bps)	Gold Futures:	1643.80 (-168.70)
10 Yr. T-Note:	1.83 (-21 bps)	Merrill Lynch High Yield Indices:	
30 Yr. T-Bond:	2.89 (-41 bps)	BB, 7-10 Yr.:	7.19% (+24 bps)
		B, 7-10 Yr.:	8.81% (+25 bps)

The yield curve flattened this week which was the market reaction to the Fed implementing "operation twist", ongoing concern about U.S. and global growth and Eurozone sovereign debt. S&P cut Italy's credit rating resulting in higher Treasury prices on Monday. August data on housing starts and building permits were reported Tuesday with starts declining 5.0% to an annual rate of 571,000, lower than the estimate of a 2.3% drop to 590,000. Wednesday, existing home sales in August were reported 7.7% higher, beating the estimate of 1.7% growth. The Fed announced plans to put downward pressure on long-term interest rates and noted "significant downside risks to the economic outlook" which rallied Treasury markets through Thursday. Treasury prices declined Friday with positive news out of Europe that governments will work towards implementing a permanent rescue fund with more urgency. Major economic reports (and related consensus forecasts) for next week include: Monday: August New Home Sales (295,000, -1.0%), Dallas Fed Manufacturing Index (-8.0); Tuesday: July S&P CS Composite Home Price Index (0.10% MoM, -4.55% YoY), Richmond Fed Manufacturing Index (-9); Wednesday: August Durable Goods Orders (-0.4%, 0.0% Ex Transportation); Thursday: 2nd Quarter GDP (1.2% Annualized), 2nd Quarter Personal Consumption (0.4%), August Pending Home Sales (-1.7%, 6.3% YoY), Friday: August Personal Income (0.1%), August Personal Spending (0.2%), September Chicago Purchasing Manager Index (55.5), September U of M Consumer Confidence (57.8).

US Stocks			
Weekly Index Performance:		Market Indicators:	
DJIA:	10771.48 (-737.61,-6.4%)	Strong Sectors:	Utilities, Telecom, Information Technology
S&P 500:	1136.43 (-79.58,-6.5%)	Weak Sectors:	Materials, Energy, Financials
S&P MidCap:	794.43 (-71.66,-8.2%)	NYSE Advance/Decline:	367 / 2,798
S&P Small Cap:	357.89 (-31.75,-8.2%)	NYSE New Highs/New Lows:	74 / 835
NASDAQ Comp:	2483.23 (-139.08,-5.3%)	AAll Bulls/Bears:	25.3% / 48%
Russell 2000:	652.43 (-61.88,-8.7%)		

Stocks fell last week with the S&P 500 down 6.5% driven by concerns over a potential Greek default and a slowing economy. The S&P 500 currently trades at 13.98 times earnings and has a dividend yield of 2.32%. A majority of the week's losses occurred Wednesday and Thursday after investors reacted disappointedly to the Fed's announcement of "Operation Twist", the FOMC's latest effort to stimulate the economy by purchasing long-term treasuries. Adding to the concerns, Moody's downgraded the debt of **Bank of America**, **Wells Fargo** and **Citigroup**. Investors focused their attention on French banks' exposure to Greek debt. **BNP Paribas** Chairman Michel Perebeau tried to calm investor's fears reiterating, "We have no need at the moment for any recapitalization." Surprisingly last week, gold futures were not a safe haven and unexpectedly fell 5.9% Friday, posting their largest one day percentage drop in five years. NYMEX oil futures with a November delivery fell 9.2% for the week. Oil prices have fallen 13% for the year. Monday, **NetFlix** finished down 7.1% after announcing plans to separate their DVD-by-mail and streaming video services. **Lennar Homes** said home deliveries fell 3%, but that new orders and average sales prices increased 11% and 3%, respectively. In the tech sector, **Oracle** results surpassed expectations as the company reported strong bottom and top lines led by demand for business software licenses. Its shares advanced 4.9% on Tuesday. **FedEx** reported revenue growth of 11%, surpassing analysts' expectations but saw its shares fall after management lowered full-year EPS guidance to \$6.25 - \$6.75 from \$6.35 - \$6.85. In mergers and acquisitions, aerospace manufacturer **Goodrich Corporation** agreed to be acquired by **United Technologies** in an all-cash deal worth \$16.5 billion. Looking ahead, this week marks the end of the US third fiscal quarter. While last week's turmoil may cause investors to become more cautious, the drop in prices should present an opportunity to invest in high-quality opportunities at historically low valuations.