

US Economy and Credit Markets			
Yields and Weekly Changes:			
3 Mo. T-Bill:	0.09 (-01 bps)	GNMA (30 Yr) 6% Coupon:	113-05/32 (0.82%)
6 Mo. T-Bill:	0.14 (-01 bps)	Duration:	3.45 years
1 Yr. T-Bill:	0.17 (unch.)	30-Year Insured Revs:	149.3% of 30 Yr. T-Bond
2 Yr. T-Note:	0.30 (+03 bps)	Bond Buyer 40 Yield:	4.15% (-01 bps)
3 Yr. T-Note:	0.40 (+06 bps)	Crude Oil Futures:	90.16 (-1.70)
5 Yr. T-Note:	0.75 (+09 bps)	Gold Futures:	1722.8 (-35.2)
10 Yr. T-Note:	1.77 (+11 bps)	Merrill Lynch High Yield Indices:	
30 Yr. T-Bond:	2.94 (+10 bps)	BB, 7-10 Yr.:	5.42% (-07 bps)
		B, 7-10 Yr.:	6.56% (-12 bps)

Despite gains on Friday, treasuries fell this week as a number of economic data points were better than projected. Prices were unchanged Monday as the Empire Manufacturing Index fell lower than anticipated, but retail sales grew 0.3% higher than expected to 1.1%. Yields gained on Tuesday as industrial production grew 0.4% which was 0.2% higher than projected. The consumer price index rose 0.1% more than projected to 0.6%. Treasuries continued their decline on Wednesday on positive news in the housing market. Housing starts jumped 15% month over month which was well above the expected 2.7% gain. Building permits also surged as the 11.6% increase was 10.5% higher than anticipated. Prices were little changed on Thursday, but gained on Friday as questions arose as to whether a euro-area bank supervisor would be created as currently planned. Major economic reports (and related consensus forecasts) for next week include: Tuesday: October Richmond Fed. Manufacturing Index (4); Wednesday: September New Home Sales (380K, +3.2% MoM), August House Price Index MoM (+0.3%); and FOMC Rate Decision (0.25%); Thursday: September Durable Goods Orders (+6.8%) and Durable Goods Ex Transportation (+0.9%), Initial Jobless Claims (317,000), September Pending Home Sales (+2.0% MoM); Friday: 3rd Quarter GDP (1.8%), 3rd Quarter Personal Consumption (2.0%) and October University of Michigan Consumer Confidence (83.0).

US Stocks			
Weekly Index Performance:		Market Indicators:	
DJIA:	13343.51 (14.66, 0.17%)	Strong Sectors:	Materials, Financials, Utilities
S&P 500:	1433.19 (4.6, 0.34%)	Weak Sectors:	Info Tech, Cons. Staples, Telecom
S&P MidCap:	987.4 (11.79, 1.22%)	NYSE Advance/Decline:	1,864 / 1,288
S&P Small Cap:	458.8 (0.54, 0.13%)	NYSE New Highs/New Lows:	468 / 70
NASDAQ Comp:	3005.62 (-38.49, -1.26%)	AAll Bulls/Bears:	28.7% / 44.6%
Russell 2000:	821 (-2.09, -0.25%)		

Last week marked the 25<sup>th</sup> anniversary of 1987's Black Monday when the Dow Jones Industrial Average plummeted 508 points, or 22.61%. To put that in perspective using the Dow's closing price from Friday, a 508 point drop would be only a 3.8% loss. Today, the market would need to drop more than 3,000 points to equate 1987's drop. What many forget, is that even after Black Monday, the Dow Jones finished 1987 in positive territory with a return of 2.26%. After October 19<sup>th</sup>, The Dow rallied more than 10% to finish the year. Week two of earnings season featured multiple earnings reports providing insight on the challenged PC industry. **Intel**, **IBM** and **Microsoft** all missed expectations or reported gloomy outlooks. First, IBM beat on earnings by a penny with adjusted EPS \$3.62, however, the company missed on sales, generating revenue of \$24.74 billion versus estimates of \$25.36 billion. IBM finished the week down 6.94%. Next to report was PC chipmaker, Intel. Intel beat on top and bottom lines, however, the company guided fourth quarter revenue down to \$13.1 to \$14.1 billion from \$13.71 billion. The stock finished down 1% for the week. The last PC related company to report earnings was Microsoft. Citing weakening PC demand for Windows, the company reported EPS of \$.53, compared to the Street's forecast of \$.56 EPS. The company finished the week down, 1.91%. Moving to another industry, **General Electric** reported earnings matching the Street's consensus. While many of GE's segments performed well, the company sighted weakness in wind turbines and continued to de-risk by decreasing the size of GE Capital's loan portfolio. Moving ahead, week three of earnings season will feature plenty of substantive earnings reports providing insight on the economy and the overall direction of the market. **Caterpillar**, **Freeport McMoran**, **Texas Instruments** and **United Technologies** will all report earnings.