

US Economy and Credit Markets

Yields and Weekly Changes:

3 Mo. T-Bill:	0.08 (+01 bps)	GNMA (30 Yr) 6% Coupon:	112-18/32 (1.26%)
6 Mo. T-Bill:	0.14 (unch.)	Duration:	3.57 years
1 Yr. T-Bill:	0.18 (-01 bps)	30-Year Insured Revs:	215.5 % of 30 Yr. T-Bond
2 Yr. T-Note:	0.24 (-03 bps)	Bond Buyer 40 Yield:	4.35% (-08 bps)
3 Yr. T-Note:	0.33 (-02 bps)	Crude Oil Futures:	87.10 (-2.33)
5 Yr. T-Note:	0.62 (-02 bps)	Gold Futures:	1592.00 (-7)
10 Yr. T-Note:	1.48 (-06 bps)	Merrill Lynch High Yield Indices:	
30 Yr. T-Bond:	2.57 (-09 bps)	BB, 7-10 Yr.:	5.92% (-04 bps)
		B, 7-10 Yr.:	7.31% (-04 bps)

Treasuries prices were modestly higher this week as a light flow of economic data, negative headlines from the Eurozone, and a series of Federal Reserve auctions spurred demand for safer assets. Prices rose slightly on Monday as Spanish government borrowing cost rose above 7% and May Consumer Credit rose to \$17.11B vs. an expectation of \$8.5B. Demand for safe assets carried into Tuesday and 10 year note yields approached record lows when the Treasury sold \$32B in 3 years notes drawing above average demand. On Wednesday the government sold \$21B of 10 year notes attracting record high demand and yields near all time lows. In addition, the May trade balance was reported at -\$48.7B vs. a -\$48.6B estimate and wholesale inventories were .3%, in line with consensus. Treasuries rallied on Thursday as the Jun Import price index declined 2.7% MoM against an expectation of a 1.8% decline. The Federal Reserve also auctioned \$13B in 30 year bonds at a record low yield of 2.58%. On Friday, longer term treasury yields moved higher and prices declined as the June Producer Price Index (PPI) was reported at .1% MoM vs. a -.4% consensus, while and the July U. of Michigan Consumer Confidence number came in at 72 vs. a 73.5 expectation. Major economic reports (and related consensus forecasts) for next week include: Monday: July Empire Manufacturing (4), June Advance Retail Sales (.2%), and May Business Inventories (.2%); Tuesday: June Consumer Price Index (CPI) (0% MoM), CPI Ex Food & Energy (.2% MoM), June Industrial Production (.3%), and June Capacity Utilization (79.2%); Wednesday: June Housing Starts (745K) and June Building Permits (-2.4% MoM); Thursday: June Existing Home Sales (4.62M, 1.5% MoM), June Philadelphia Fed (-8), and June Leading Indicators (-.1%)

US Stocks

Weekly Index Performance:

Market Indicators:

DJIA:	12777.09 (4.62,0.0%)	Strong Sectors:	Financials, Utilities, Health Care
S&P 500:	1356.78 (2.1,0.2%)	Weak Sectors:	Info Tech, Materials, Industrials
S&P MidCap:	942.68 (-4.59,-0.5%)	NYSE Advance/Decline:	1,619/ 1,541
S&P Small Cap:	447.38 (-1.33,-0.3%)	NYSE New Highs/New Lows:	485/ 93
NASDAQ Comp:	2908.47 (-28.86,-1.0%)	AAll Bulls/Bears:	30.2%/ 34.7%
Russell 2000:	800.99 (-6.15,-0.8%)		

U.S. equity markets ended mixed as equities fell the first four days of the week before rallying on Friday. The Spanish 10-year bond yield rose above 7% and weak technology earnings led the sell-off to start the week. Both **Applied Materials Inc.** and **Advanced Micro Devices** fell after reducing their revenue outlook due to weakness in China and Europe. Many equity indexes erased their weekly losses on Friday as China's GDP growth of 7.6% was better than initially expected. Markets also applauded **JPMorgan Chase & Co.**'s earnings as net income only fell 9% despite a \$5.8 billion loss from the Chief Investment Office. Jamie Dimon, the bank's chairman and chief executive officer, commented that the loss could grow by an additional \$1.7 billion but only in a worst-case scenario, alleviating investor's fears of future losses. **Wells Fargo & Company** also reported solid results as 2nd quarter profit rose 17% on additional underwriting of loans, expense controls, and lower debt levels. In other stock news, **Supervalu Inc.** sunk after announcing disappointing results, which ended in a suspension of their dividend and a possible sale of all or part of the business. Weaker-than-expected demand and exchange rate movements caused **Lexmark International** to sharply lower guidance. Looking ahead to next week, earnings season kicks into high gear as a slew of bellwethers announce earnings results. Some of the key announcements will come from **Citigroup Inc.**, **Goldman Sachs Group, Inc.**, **Bank of America Corp.**, **General Electric Company**, and **Microsoft Corp.** Earnings season could goose stock prices as any positive news should lead markets higher due to currently low expectations.