

| US Economy and Credit Markets | | | |
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| Yields and Weekly Changes: | | | |
| 3 Mo. T-Bill: | 0.07 (-01 bps) | GNMA (30 Yr) 6% Coupon: | 112-8/32 (1.61%) |
| 6 Mo. T-Bill: | 0.14 (-02 bps) | Duration: | 3.63 years |
| 1 Yr. T-Bill: | 0.19 (-02 bps) | 30-Year Insured Revs: | 214.8 % of 30 Yr. T-Bond |
| 2 Yr. T-Note: | 0.27 (-03 bps) | Bond Buyer 40 Yield: | 4.43% (+05 bps) |
| 3 Yr. T-Note: | 0.36 (-04 bps) | Crude Oil Futures: | 84.18 (-0.78) |
| 5 Yr. T-Note: | 0.65 (-07 bps) | Gold Futures: | 1584.10 (-20.10) |
| 10 Yr. T-Note: | 1.55 (-09 bps) | Merrill Lynch High Yield Indices: | |
| 30 Yr. T-Bond: | 2.67 (-09 bps) | BB, 7-10 Yr.: | 5.97% (-06 bps) |
| | | B, 7-10 Yr.: | 7.36% (-03 bps) |

Treasuries closed the holiday shortened week higher as US manufacturing and jobs data were weaker than anticipated. Prices rose on Monday as the ISM Manufacturing index fell below the key growth threshold of 50 to 49.7. The market was anticipating continued growth at a 52.0 level. Yields reversed course during the market's half day on Tuesday as May factory orders climbed 0.7% which was higher than the projected 0.1%. Total and domestic vehicle sales were also higher than expected. After Wednesday's closure for Independence Day, treasuries were slightly higher on Thursday as initial and continuing jobless claims were both reported slightly worse than anticipated. Investors also took notice of interest rate cuts made by China and the European Central Bank. Prices finished higher on Friday as nonfarm and private payrolls both missed expectations by nearly 20K at 80K and 84K respectively. The market had been anticipating a 100k change in nonfarm payrolls and a 106k change in private payrolls. The unemployment rate also remained unchanged as projected at 8.2%. Major economic reports (and related consensus forecasts) for next week include: Wednesday: May Trade Balance (-\$48.5B), May Wholesale Inventories (0.30%) and minutes of FOMC meeting released; Thursday: June Import Price Index (-1.8% MoM, -1.4% YoY), June Monthly Budget Statement (-\$75.0B) and Initial Jobless Claims (370,000); Friday June Producer Price Index (-0.5% MoM, +0.3% YoY), June Producer Price Index Excluding Food & Energy (+0.2% MoM, +2.6% YoY) and July U. of Michigan Consumer Confidence (73.5).

| US Stocks | | | |
|---------------------------|---------------------------|--------------------------|--|
| Weekly Index Performance: | | Market Indicators: | |
| DJIA: | 12772.47 (-107.62, -.84%) | Strong Sectors: | Consumer Goods, Consumer Services, Materials |
| S&P 500: | 1543.68 (-7.48, -.55%) | Weak Sectors: | Industrials, Health Care, Technology |
| S&P MidCap: | 947.27 (5.63, .6%) | NYSE Advance/Decline: | 2,030 / 1,126 |
| S&P Small Cap: | 448.71 (3.27, .73%) | NYSE New Highs/New Lows: | 513 / 22 |
| NASDAQ Comp: | 2937.33 (2.28, .08%) | AAll Bulls/Bears: | 32.6% / 33.3% |
| Russell 2000: | 807.14 (8.65, 1.08%) | | |

The holiday-shortened week was quiet throughout much of the four trading days, but did end with a bump. On Friday, the US June jobs report showed the country added only 80,000 jobs significantly less than the 100,000 projected. This sent the S&P 500 down, -.94%. Bob Diamond resigned as CEO of **Barclays Bank** after the British bank admitted to fixing Libor rates during the 2008 meltdown. Throughout the week, Diamond faced tough questions from regulators and members of Parliament on his bank's involvement and the behavior of other banks in reporting lower-than-actual borrowing costs. Moving to Stateside banking controversies, according to a House committee report, **Bank of America** gave discounted mortgages to Congressmen and **Fannie Mae** executives while it lobbied Congress to prevent legislation that would have limited the sales of subprime mortgage securities. **Apple** advanced 1.76% after the *LA Times* reported the company would release a smaller, more affordable tablet as early as this fall. **Netflix** was also a big winner this past Thursday. CEO, Reed Hastings announced that users streamed more than a billion hours of content this past June, sending the stock soaring 13.44%. The stock was up 19.5% total for the week. **General Motors** welcomed some positive news when it announced better-than-expected auto sales for the month of June. GM stock rallied 5.6% this past Tuesday and was up 3% for the week. With the holiday behind investors, the focus has turned to the start of earnings season. As is customary, aluminum manufacturer, **Alcoa** will kick it off announcing earnings Monday after the close. Consensus estimates are that the company will earn \$.05 per share compared to the \$.32 EPS the company earned last year.