

US Economy and Credit Markets			
Yields and Weekly Changes:			
3 Mo. T-Bill:	0.10 (+02 bps)	GNMA (30 Yr) 6% Coupon:	112-19/32 (1.16%)
6 Mo. T-Bill:	0.13 (unch.)	Duration:	3.56 years
1 Yr. T-Bill:	0.17 (+01 bps)	30-Year Insured Revs:	178.8% of 30 Yr. T-Bond
2 Yr. T-Note:	0.26 (+02 bps)	Bond Buyer 40 Yield:	4.25% (+01 bps)
3 Yr. T-Note:	0.37 (+05 bps)	Crude Oil Futures:	92.87 (+1.47)
5 Yr. T-Note:	0.71 (+04 bps)	Gold Futures:	1619.70 (+13.70)
10 Yr. T-Note:	1.65 (+09 bps)	Merrill Lynch High Yield Indices:	
30 Yr. T-Bond:	2.74 (+10 bps)	BB, 7-10 Yr.:	5.64% (-01 bps)
		B, 7-10 Yr.:	7.10% (-01 bps)

Treasuries declined and yields rose again this week, marking the third straight week of price declines in the treasury market. On Monday, prices were little changed before a series of Treasury auctions by the Federal Reserve commencing the next day. On Tuesday, June Consumer Credit printed at \$6.4B vs. a \$10.25B expectation and several strong earnings reports pushed equities higher while Treasuries declined. On Wednesday, Treasuries declined further as second quarter Nonfarm Productivity rose 1.6%, beating expectations for a 1.4% increase and Unit Labor Costs increased 1.7% against an expectation of .5%. Yields rose just slightly in short and medium durations Treasuries on Thursday as Treasury buying ticked up following the conclusion of a Federal Reserve government debt auction. In addition, the June Trade Balance was reported at -\$42.9B vs. a -\$47.5B and Wholesale Inventories declined -.2% vs. an expectation of .3%. Friday marked a reverse of course as the prices for short and intermediate term maturities rallied. A report showed China's July export growth was just 1%YoY, declining from an 11.3% growth rate in June and the July Import Price Index declined -.6% vs. a .2% expected increase. Major economic reports (and related consensus forecasts) for next week include: Tuesday: July Producer Price Index (.2% MoM), PPI Ex Food & Energy (.2% MoM), July Advance Retail Sales (.3% MoM), July Retail Sales Ex Auto & Gas (.5% MoM); Wednesday: July Consumer Price Index (.2% MoM), August Empire Manufacturing (7.0), July Industrial Production (.5%), July Capacity Utilization (79.2%); Thursday: July Housing Starts (758K/- .3%MoM) and Building Permits (766K/- .7%MoM), August Philadelphia Fed (-5.0); Friday: August Preliminary U. of Michigan Consumer Confidence (72.0) and July Leading Indicators (.2%).

US Stocks			
Weekly Index Performance:		Market Indicators:	
DJIA:	13207.95 (111.8, 1%)	Strong Sectors:	Materials, Info Tech, Energy
S&P 500:	1405.87 (14.9, 1.2%)	Weak Sectors:	Utilities, Consumer Staples, Health Care
S&P MidCap:	961.96 (17.3, 1.9%)	NYSE Advance/Decline:	2,020 / 1,117
S&P Small Cap:	451.65 (7.5, 1.7%)	NYSE New Highs/New Lows:	495 / 51
NASDAQ Comp:	4458.84 (4.1, 0.2%)	AAll Bulls/Bears:	36.5% / 27.4%
Russell 2000:	801.55 (13.1, 1.7%)		

While it had little impact on the broad indexes, the week's biggest story continued to be the turmoil at trading firm **Knight Capital**. The stock traded between \$4.05 and \$2.90 during the week as it sought emergency funding in order to remain solvent. The company was able to secure \$400 million in convertible preferred financing in exchange for a 73% share in the company. Throughout the week, clients returned to the trading firm and the company will resume its market-making activities at the NYSE on Monday. Nevertheless, the stock closed the week at a low of \$2.90. Thursday was the final day companies could file their second quarter 10-Q's, marking the unofficial end to earnings season. One of the week's winners was **Caribou Coffee** which beat earnings by four cents, posting EPS of \$.13. The stock rose 8.64%. Unfortunately, casino operator **Caesar's Entertainment Group** did not fare as well, it posted a loss of \$-1.93 EPS, more than twice what analysts were expecting. The company's share price dropped 2.4% for the week. Rupert Murdoch's **News Corp** also struggled posting a loss of \$-1.6 Billion on write-downs at the company's print businesses. Shares dropped 1.58% for the remainder of the week. Investors of **Gulfport Energy** were some of the happiest. The oil and gas E&P posted revenue results that were in line with expectations, but announced Utica shale drilling results that surpassed even some of the most optimistic investor expectations. Shares rose 21.18% for the week. This week attention will remain focused on a few key issues. Greece will issue estimates for its second quarter GDP. In addition, it is expected to be a volatile week for the Japanese and Chinese markets, both economies posted soft economic data last week which is expected to weigh on markets. Finally, due to the enduring drought, the Department of Agriculture did decrease the forecast for size of this year's corn crop by 17%.