

US Economy and Credit Markets			
Yields and Weekly Changes:			
3 Mo. T-Bill:	0.08 (-02 bps)	GNMA (30 Yr) 6% Coupon:	112-12/32 (1.31%)
6 Mo. T-Bill:	0.14 (unch.)	Duration:	3.59 years
1 Yr. T-Bill:	0.18 (+01 bps)	30-Year Insured Revs:	163.7% of 30 Yr. T-Bond
2 Yr. T-Note:	0.29 (+03 bps)	Bond Buyer 40 Yield:	4.26% (+01 bps)
3 Yr. T-Note:	0.42 (+05 bps)	Crude Oil Futures:	96.01 (+3.14)
5 Yr. T-Note:	0.80 (+09 bps)	Gold Futures:	1616.30 (-3.40)
10 Yr. T-Note:	1.82 (+16 bps)	Merrill Lynch High Yield Indices:	
30 Yr. T-Bond:	2.94 (+19 bps)	BB, 7-10 Yr.:	5.67% (+03 bps)
		B, 7-10 Yr.:	7.11% (unch.)

Treasuries tumbled last week as US economic data continued to show improvement. Prices were flat on Monday but sank on Tuesday as retail sales less autos improved for the first time in four months with 0.8% growth which was above the projected of 0.4%. The PPI index also rose 0.1% higher than anticipated to 0.3%. Yields climbed slightly higher on Wednesday as industrial production increased slightly more than projected at 0.6% while the Empire manufacturing index fell to -5.85, well below the expected level of 7.0. Yields continued their upward march on Thursday despite mixed economic data. Initial jobless claims were right in line with expectations while housing starts and the Philadelphia Fed Index both missed projections, but month over month building permits soared 5.6% higher than anticipated at 6.8%. After reaching their highest yields since May, treasuries halted their course on Friday despite U of M confidence levels and leading indicators reporting slightly above expectations. Major economic reports (and related consensus forecasts) for next week include: Wednesday: July Existing Home Sales (4.52M, +3.3% MoM) and minutes of FOMC meeting released; Thursday: Initial Jobless Claims (365,000), July New Home Sales (365,000, +4.3% MoM) and June House Price Index (+0.5%); Friday: July Durable Goods Orders (+2.5%) and Durable Goods Ex Transportation (+0.4%).

US Stocks			
Weekly Index Performance:		Market Indicators:	
DJIA:	13275.2 (67.25,0.5%)	Strong Sectors:	Info Tech, Cons Disc, Financials
S&P 500:	1418.16 (12.29,0.9%)	Weak Sectors:	Utilities, Telecom, Health Care
S&P MidCap:	977.85 (15.89,1.7%)	NYSE Advance/Decline:	1,995/ 1,157
S&P Small Cap:	461.19 (9.54,2.1%)	NYSE New Highs/New Lows:	359/ 49
NASDAQ Comp:	3076.59 (55.73,1.8%)	AAll Bulls/Bears:	36.8%/ 28.1%
Russell 2000:	819.89 (18.34,2.3%)		

The U.S. equity market continued to rally as the S&P 500 approached this year's high watermark. Investors bid up stocks after Building Permits hit a 4 year high and Angela Merkel, the German Chancellor, reiterated her support for the ECB's plan to fight the euro zone crisis. A number of earnings releases also helped to boost equity performance. **Cisco Systems Inc.** gained after raising their dividend by 75% as they plan to return 50% of their future free cash flow. **Target Corp.** also gained after raising annual guidance on strong sales of groceries and additional spending from their discount card customers. However, not all earnings announcements were well received as **Groupon Inc.** plunged to below their IPO price after announcing slower revenue growth and operating margins below analysts' estimates. **Deere & Co.** also disappointed investors after cutting full year guidance as sales slowed in Asia and Latin America. Additionally, the worst drought in 5 decades could crimp future demand for equipment as farmers are more cash strapped. In other stock news, **Google Inc.** said it will cut around 4,000 jobs from its Motorola Mobility unit and shut down a third of Motorola's facilities. **Tesoro Corp.** gained after agreeing to acquire **British Petroleum's** California oil refinery and gas stations for a very reasonable \$1.18 billion. Looking ahead, investors will again shift their focus back to macro economic data as earnings season is nearly wrapped up. Market fundamentals continue to look compelling as the average earnings surprise to date was 4.5% for the S&P 500 in the 2nd quarter.