

US Economy and Credit Markets			
Yields and Weekly Changes:			
3 Mo. T-Bill:	0.08 (-02 bps)	GNMA (30 Yr) 6% Coupon:	112-18/32 (1.19%)
6 Mo. T-Bill:	0.13 (unch.)	Duration:	3.57 years
1 Yr. T-Bill:	0.16 (-01 bps)	30-Year Insured Revs:	189.3% of 30 Yr. T-Bond
2 Yr. T-Note:	0.24 (unch.)	Bond Buyer 40 Yield:	4.24% (-01 bps)
3 Yr. T-Note:	0.33 (unch.)	Crude Oil Futures:	91.40 (+1.27)
5 Yr. T-Note:	0.66 (+01 bps)	Gold Futures:	1606.00 (-12.00)
10 Yr. T-Note:	1.56 (+02 bps)	Merrill Lynch High Yield Indices:	
30 Yr. T-Bond:	2.64 (+01 bps)	BB, 7-10 Yr.:	5.81% (-16 bps)
		B, 7-10 Yr.:	7.11% (-09 bps)

Treasury yields rose this week as better than expected economic data in the U.S. lifted equities and caused demand for safe assets to decline. Prices were slightly higher on Monday ahead of an ECB policy meeting, a two day FOMC meeting, and several economic data releases on Tuesday. The rise in prices continued the next day as June personal income rose .5% vs., a .4% expectation, the May S&P/CS 20 City MoM % change was .91% vs. .40% estimates, Consumer Confidence was 65.9 vs. 61.5, Chicago PMI was 53.7 vs. 52.5, and Personal Spending was flat at 0% vs. 1% expectations. On Wednesday, Treasuries reversed course, declining sharply on the heels of a better than expected ADP report showing private nonfarm payrolls added 163k jobs in July vs. expectations of a 120k. The Federal Reserve also said that it would not engage in additional stimulus to bolster the economy and the July ISM Manufacturing Index missed expectations, printing at 49.8 vs. a 50.2 expectation. On Thursday, Europe was in the headlines when ECB president Mario Draghi failed to announce any concrete measures for dealing with region's debt crisis and June factory orders declined by .5%, causing Treasuries to jump. On Friday, Treasuries fell the most in a week when July Nonfarm and Private payrolls were reported at 163k and 172k against estimates of 100k and 110k, respectively. Major economic reports (and related consensus forecasts) for next week include: Tuesday: June Consumer Credit (\$10B); Wednesday: 2Q Preliminary Nonfarm Productivity (1.4%) and Unit Labor Costs(.5%); Wednesday: June Trade Balance (-\$47.5B) and June Wholesale Inventories (.3%); Thursday: July Import Price Index (-2.7% YoY) and July Monthly Budget Statement (-\$103B)

US Stocks			
Weekly Index Performance:		Market Indicators:	
DJIA:	13096.17 (20.51, 0.18%)	Strong Sectors:	Info Tech., Telecom, Financials
S&P 500:	1390.99 (5.02, 0.40%)	Weak Sectors:	Health Care, Utilities, Materials
S&P MidCap:	944.68 (-4.47, -0.44%)	NYSE Advance/Decline:	1,754 / 1,383
S&P Small Cap:	444.17 (-2.15, -0.46%)	NYSE New Highs/New Lows:	517 / 114
NASDAQ Comp:	2967.90 (9.81, 0.37%)	AAll Bulls/Bears:	30.5% / 34.9%
Russell 2000:	788.48 (-7.52, -0.93%)		

After four straight down days to start the week, the S&P 500 rallied 26 points on Friday to end the week with a positive 0.40% return. European equities rallied to their highest levels since April on speculation that policy makers will take action to ease the debt crisis which sent most markets up over 2.5% for the week. The main economic catalyst for Friday's rally was a change in nonfarm U.S. payrolls of +163k while the consensus estimates were +100k. Both manufacturing and private payrolls also had significant upside surprises which helped to rally equities even further. Earnings season continued this week as **Pfizer Inc.**, **Procter & Gamble Co.**, **Kraft Foods Inc.** and **MetLife Inc.** all announced above consensus earnings. Clothing retailers were off to a great week when **The Gap Inc.** preannounced earnings were going to be 26% above estimates. However, on Thursday **Abercrombie & Fitch Co.** plunged to a three year low after cutting its annual forecasts which sent many other clothing retailers with it. On Wednesday capital markets were shaken as **Knight Capital Group** announced that a computer trading glitch had resulted in a \$440m pretax loss for the company which led to a -61% return for the week. **EOG Resources Inc.** was up over 11% on Friday as the largest oil producer in Texas announced earnings that beat estimates by over 25% and boosted output forecasts for the year. In premarket trading this morning **Best Buy Inc.** received a takeover offer from its founder Richard Schulze to buy the company for around \$25 per share. This week earnings season continues with **Berkshire Hathaway Inc.**, **Walt Disney Co.**, **News Corp.**, **Kohls Corp.** and **CVS Caremark Corp.** all expected to report.