

US Economy and Credit Markets			
Yields and Weekly Changes:			
3 Mo. T-Bill:	0.10 (+03 bps)	GNMA (30 Yr) 6% Coupon:	112-16/32 (1.14%)
6 Mo. T-Bill:	0.13 (unch.)	Duration:	3.64 years
1 Yr. T-Bill:	0.16 (unch.)	30-Year Insured Revs:	161.3% of 30 Yr. T-Bond
2 Yr. T-Note:	0.25 (+03 bps)	Bond Buyer 40 Yield:	4.22% (+01 bps)
3 Yr. T-Note:	0.33 (+04 bps)	Crude Oil Futures:	96.32 (-0.15)
5 Yr. T-Note:	0.64 (+05 bps)	Gold Futures:	1736.30 (+51.00)
10 Yr. T-Note:	1.66 (+11 bps)	Merrill Lynch High Yield Indices:	
30 Yr. T-Bond:	2.82 (+14 bps)	BB, 7-10 Yr.:	5.57% (-09 bps)
		B, 7-10 Yr.:	6.83% (-12 bps)

Treasuries fell during the holiday shortened week as ECB President Mario Draghi announced more support in the ongoing European debt crisis. After Monday's holiday, prices were relatively unchanged on Tuesday as ISM manufacturing index once again fell below 50 to 49.6 while vehicle sales were slightly better than projected. After another day of little movement on Wednesday, yields jumped on Thursday as Draghi proclaimed that an agreement for an unlimited bond-buying program called Outright Monetary Transactions had been reached. Prices were mostly unchanged again Friday as the unemployment rate fell 0.2% below expectations to 8.1% but change in nonfarm and private payrolls fell steeply below projections. Major economic reports (and related consensus forecasts) for the shortened holiday week next week include: Monday: July Consumer Credit (\$10B); Tuesday: July Trade Balance (-\$44.3B); Wednesday: August Import Price Index (+1.5% MoM, -1.4% YoY) and July Wholesale Inventories (0.3%); Thursday: August Producer Price Index (+1.2% MoM, +1.5% YoY), August Producer Price Index Excluding Food & Energy (+0.2% MoM, +2.6% YoY), Initial Jobless Claims (370,000) and FOMC Rate Decision (0.25%); Friday: August Consumer Price Index (+0.6% MoM, +1.7% YoY), August Consumer Price Index Excluding Food & Energy (+0.2% MoM, +2.0% YoY), August Advance Retail Sales (+0.7%), August Retail Sales Ex Auto & Gas (+0.4%), August Industrial Production (0.0%) and U. of Michigan Consumer Confidence (74.0).

US Equities			
Weekly Index Performance:		Market Indicators:	
DJIA:	13,306.64 (215.80, 1.65%)	Strong Sectors:	Financials, Materials, Consumer Discretionary
S&P 500:	1,437.92 (31.34, 2.23%)	Weak Sectors:	Cons Staples, Utilities, Telecommunications
S&P MidCap:	1,004.60 (33.05, 3.40%)		
S&P Small Cap:	473.97 (16.06, 3.51%)	NYSE Advance/Decline:	2,445/ 678
NASDAQ Comp:	3,136.42 (69.45, 2.26%)	NYSE New Highs/New Lows:	520 / 58
Russell 2000:	842.27 (30.18, 3.72%)	AAll Bulls/Bears:	33.1% / 33.1%

Last week, following two weeks of negative performance, the S&P 500 Index had positive performance with a 2.27% return. Monday the markets were closed to observe the Labor Day holiday. Both Tuesday and Wednesday produced negative performance closing down approximately 10 basis points each day. The big move of the week came on Thursday with a positive 2.06%, making it the third best performing day of the 2012. Mario Draghi, President of the European Central Bank, announced an unlimited bond buying program aimed at the secondary market which caused equities to rally on Thursday. The better than expected US initial jobless claims also helped the rally. Claims decreased the past week to 365K from 374K the prior week with a consensus of 370K. **Sears Holdings Corp.** was removed from the S&P 500 Index after the close on Tuesday and was replaced by **LyondellBasell Industries NV** before trading began on Wednesday. The removal of the longtime member of the index was based on **Sears'** public float being under the 50% threshold required for an extended period. Its 10.29% return last week was in the top 10 performers in the index. All ten economic sectors had positive performance last week. Financials was the strongest with a 3.65% return for the week. Materials and consumer discretionary sectors also had strong performance with 3.60% and 2.84% returns respectively. The worst performing sector was consumer staples with a 0.68% return and was followed by utilities and telecommunication services which returned 0.77% and 1.83% respectively. **Alpha Natural Resources Inc.**, a coal mining company, turned in the best performance in the S&P 500 Index with a 16.16% return for the week. The next two best performers were **Morgan Stanley** and **Game Stop Corp** with returns of 13.87% and 13.52% respectively.