

US Economy and Credit Markets			
Yields and Weekly Changes:			
3 Mo. T-Bill:	0.05 (+02 bps)	GNMA (30 Yr) 6% Coupon:	110-00/32 (2.79%)
6 Mo. T-Bill:	0.07 (unch.)	Duration:	3.70 years
1 Yr. T-Bill:	0.10 (unch.)	30-Year Insured Revs:	146.2% of 30 Yr. T-Bond
2 Yr. T-Note:	0.30 (unch.)	Bond Buyer 40 Yield:	5.12 (+04 bps)
3 Yr. T-Note:	0.62 (+05bps)	Crude Oil Futures:	106.17 (0.77)
5 Yr. T-Note:	1.36 (unch.)	Gold Futures:	1312.90 (+2.30)
10 Yr. T-Note:	2.58 (-02 bps)	Merrill Lynch High Yield Indices:	
30 Yr. T-Bond:	3.64 (-05 bps)	U.S. High Yield:	6.73% (+05 bps)
		BB:	5.38% (+06 bps)
		B:	6.79% (+04 bps)

Treasury prices rose during the week at most maturity levels as the equity markets retreated on mixed economic data that caused further speculation on when the Federal Reserve would begin to scale back bond purchases. Only the 3-year Treasury had a drop in price as an auction of 3-year notes on Tuesday saw lower demand at a higher yield. Auctions for longer maturity notes had stronger demand on Wednesday and Thursday, causing a twist in the yield curve as yields for 10- and 30-year Treasuries dropped. Several economic reports were slightly higher than expected while the presidents of the Dallas, Atlanta and Cleveland Federal Reserve regional banks made statements over the week that the Fed should begin tapering soon. However, the Fed had emphasized that tapering would not affect near-zero interest rates. Friday showed very good economic data for China, while the U.S. trade deficit was its lowest level since 2009 and home price growth was at a 7 year high. Equity markets dropped significantly on Friday due to speculation of Federal Reserve tapering, which caused a Treasury prices to rise in a flight to safety. Major economic reports (and related consensus forecasts) for the upcoming week include: Tuesday: July Advance Retail Sales (0.3% MoM); Wednesday: August 9<sup>th</sup> MBA Mortgage Applications, July Producer Price Index (0.3% MoM, 2.4% YoY); Thursday: August 10<sup>th</sup> Initial Jobless Claims (335,000), August Empire Manufacturing (10.00), July Consumer Price Index (0.2% MoM, 2.0% YoY), July Industrial Production (0.3% MoM); Friday: July Housing Starts (905,000), August Univ. of Michigan Confidence (85.3).

US Stocks			
Weekly Index Total Return:		Market Indicators:	
DJIA:	15,425 (-1.35%)	Strong Sectors:	Materials, Cons. Staples, Info. Tech.
S&P 500:	1691.42 (-0.98%)	Weak Sectors:	Telecom, Financials, Industrials
S&P MidCap:	1237.70 (-1.25%)	NYSE Advance/Decline:	1,074 / 2,109
S&P Small Cap:	592.07 (-0.59%)	NYSE New Highs/New Lows:	383 / 327
NASDAQ Comp:	3660.11 (-0.70%)	AAII Bulls/Bears:	39.5% / 26.7%
Russell 2000:	1048.40 (-1.06%)		

For the week, equity markets slid from their all-time highs set last Friday as the S&P 500 returned nearly -1%. Stocks began the week lower as a Federal Reserve official indicated that the central bank was closer to slowing quantitative easing than previously thought. Meanwhile, Bloomberg announced that of the 446 S&P 500 stocks that have reported earnings results for the second quarter, nearly 72% of them have surpassed analyst's estimates. Retailers had a choppy earnings week that started with **Fossil Group Inc.** announcing higher than expected earnings as the stock rallied over 18%. However, **Abercrombie & Fitch Co.** missed on earnings and revenue and had a -8% return, and **Urban Outfitters Inc.** missed on revenue and had a -2.7% return. **Berkshire Hathaway Inc.** announced earnings and revenues above estimates which sent the stock 0.5% higher. **Archer-Daniels-Midland Co.** announced better than expected earnings which sent the stock higher. **Walt Disney Co/The** beat earnings expectations but missed on revenues and the stock had a -1.7% return on Wednesday as a result. **Marathon Oil Corp.** dropped nearly -5% as earnings were announced lighter than expected. Chicago based **Groupon Inc.** saw shares 21% higher as they named co-founder Eric Lefkofsky the permanent CEO and reported revenues were recovering. **Tesla Motors Inc.** rallied over 14% as revenues beat estimates and the company continues to see a shrinking short interest. Earnings season continues next week as **Wal-Mart Stores Inc.**, **Kohl's Corp.**, **Cisco Systems Inc.**, **Deere & Co.**, **Macy's Inc.** and **Agilent Technologies Inc.** are all expected to report.