

US Economy and Credit Markets			
Yields and Weekly Changes:			
3 Mo. T-Bill:	0.03 (+01 bps)	GNMA (30 Yr) 6% Coupon:	109-28/32 (2.86%)
6 Mo. T-Bill:	0.07 (+01 bps)	Duration:	3.71 years
1 Yr. T-Bill:	0.10 (-01 bps)	30-Year Insured Revs:	143.1% of 30 Yr. T-Bond
2 Yr. T-Note:	0.30 (-02 bps)	Bond Buyer 40 Yield:	5.08 (unch.)
3 Yr. T-Note:	0.57 (-02bps)	Crude Oil Futures:	106.85 (+2.15)
5 Yr. T-Note:	1.36 (-01 bps)	Gold Futures:	1310.60 (-10.90)
10 Yr. T-Note:	2.60 (+04 bps)	Merrill Lynch High Yield Indices:	
30 Yr. T-Bond:	3.69 (+07 bps)	U.S. High Yield:	6.68% (+07bps)
		BB:	5.32% (+09 bps)
		B:	6.75% (+09 bps)

Treasuries had a mixed week as yields on 1, 2, 3, and 5 year Treasuries dropped while yields on 10 and 30 year Treasuries rose. This yield curve twist occurred as comments from the Federal Reserve on Wednesday suggested that the bond purchase program would continue as it has for the foreseeable future. The Federal Reserve downgraded the outlook for U.S. economic growth from "moderate" to "modest," which led to speculation that tapering of bond purchases will not occur as soon as expected. The Federal Reserve is also concerned about lower inflation, which increased the appetite for bonds and caused a drop in gold prices. On Thursday, initial jobless claims and ISM Manufacturing both beat economist estimates, causing a large jump in the equity markets and yields on the longest maturity bonds to rise to 2-year highs. However, nonfarm payrolls were lower than expected on Friday, which caused yields to drop across all maturity levels. This gave support to the theory that Federal Reserve's downgrade of economic growth was legitimate and that bond purchases would continue, at least in the short term. Major economic reports (and related consensus forecasts) for the upcoming week include: Tuesday: June Trade Balance (-43.5 billion); Wednesday: August 2 MBA Mortgage Applications; Thursday: August 3 Initial Jobless Claims (336,000), August Bloomberg Consumer Comfort; Friday: June Wholesale Inventories (0.4% MoM).

US Stocks			
Weekly Index Performance:		Market Indicators:	
DJIA:	15658.36 (0.65%)	Strong Sectors:	Info Tech, Industrials, Cons. Discretionary
S&P 500:	1709.67 (1.1%)	Weak Sectors:	Telecom, Energy, Health Care
S&P MidCap:	1253.76 (2.11%)	NYSE Advance/Decline:	1,603 / 1,587
S&P Small Cap:	595.68 (1.21%)	NYSE New Highs/New Lows:	563 / 194
NASDAQ Comp:	3689.588 (2.13%)	AAll Bulls/Bears:	35.6% / 25.0%
Russell 2000:	1059.86 (1.11%)		

The S&P 500 closed above 1700 points for the first time in the index's history. In addition, the Dow Jones Industrial Average joined the S&P in closing the week at an all-time high. Since the S&P 500's March 2009 low of 676.53, the index has returned more than 174% including dividends reinvested. Advertising titans, **Omnicom** and **Publicis** announced a blockbuster \$35 billion merger that would make them the world's largest advertising company. Former Goldman Sachs trader, Fabrice Tourre was found liable for defrauding investors for his involvement in the failed ABACUS collateralized debt obligation he helped create and market. This is one of the few court victories the SEC has managed resulting from the 2008 financial crisis. Winning big was embattled nutritional products maker, **Herbalife**. The company announced better-than-expected earnings which saw the company's shares rise 9.6% last week. One of last week's biggest losers was **Potash Corporation of Saskatchewan**. The company's shares dropped more than 22%, after the break-up of a pricing agreement between Russia's largest producer, **Uralkali** and **Belaruskali** of Belarus. Fairing even worse was **Intrepid Potash** which saw its shares decline more than 36%. **Boston Beer**, brewer of Sam Adams, saw its shares rise 14% last week when the company posted earnings of \$1.45. Apparel maker, **Coach** shares declined almost 10% after announcing disappoint same-store-sales. The company also announced it would close 16 underperforming locations. Finally, **Facebook** closed the week at \$38.05 finally managing to surpass its IPO price of \$38. Looking to the week ahead **Disney**, **Time Warner**, **Tyson Foods**, **Archer Daniels Midland** and **Carlyle Group** all report earnings.