

US Economy and Credit Markets			
Yields and Weekly Changes:			
3 Mo. T-Bill:	0.02 (+01 bps)	GNMA (30 Yr) 6% Coupon:	112-06/32 (1.52%)
6 Mo. T-Bill:	0.06 (+01 bps)	Duration:	3.61 years
1 Yr. T-Bill:	0.09 (-01 bps)	30-Year Insured Revs:	156.7% of 30 Yr. T-Bond
2 Yr. T-Note:	0.45 (-06 bps)	Bond Buyer 40 Yield:	4.58 (+01 bps)
3 Yr. T-Note:	0.93 (-03 bps)	Crude Oil Futures:	100.65 (-3.41)
5 Yr. T-Note:	1.64 (-10 bps)	Gold Futures:	1339.90 (+19.30)
10 Yr. T-Note:	2.52 (-12 bps)	Merrill Lynch High Yield Indices:	
30 Yr. T-Bond:	3.33 (-13 bps)	U.S. High Yield:	5.84% (+06 bps)
		BB:	4.66% (+04 bps)
		B:	5.90% (+04 bps)

Treasuries rose this week amid speculation that interest rates would not rise too quickly and financial market turmoil related to the Banco Espirito Santo SA's parent company stoked renewed concern of financial contagion in Europe. On Monday longer dated government debt fell as investors speculated that inflation ticking up and better than expected employment data from the week previous week would not lead the Federal Reserve to raise rates soon. The slide in Treasuries continued on Tuesday as equity markets dropped and the 30-year bond yield dropped the most in over a month as investors wagered yields would not continue to climb. May Consumer Credit was also reported at \$19.60B, just missing estimates of \$20B. Treasuries reversed course midweek and started to fall until the release from the Federal Reserve June minutes late in the trading day. The minutes struck more dovish tone than expected with regard to rate increases and Treasuries rallied. On Thursday, May Wholesale inventories were reported to have increased .5%, less than the .6% figure that was expected and financial contagion fears in Europe spurred demand for the safety of U.S. debt. Treasuries edged lower on Friday as the market continued to digest financial news from Europe and the June Monthly Budget Statement showed that the U.S budget deficit was the smallest since 2008. Major economic reports (and related consensus forecasts) for the upcoming week include: Tuesday: July Empire Manufacturing (17), June Advance Retail Sales (+.6% MoM), and June Import Price Index (+.4% MoM); Wednesday: June PPI Final Demand (+.2% MoM), June Industrial Production (+.3% MoM), and June Capacity Utilization (79.3%); Thursday: June Housing Starts (1025K), June Building Permits (1037K); Friday: Jul P Univ. of Michigan Confidence (83) and June Leading Index (+.5%).

US Equities			
Weekly Index Performance:		Market Indicators:	
DJIA:	16,943.81 (-0.73%)	Strong Sectors:	Utilities, Telecom, Consumer Staples
S&P 500:	1,967.57 (-0.90%)	Weak Sectors:	Energy, Financials, Industrials
S&P Midcap:	1,411.48 (-2.26%)	NYSE Advance/Decline:	1,173/ 2,070
S&P Smallcap:	667.14 (-3.67%)	NYSE New Highs/New Lows:	309/60
NASDAQ Comp:	4,415.49 (-1.57%)	AAll Bulls/Bears:	37.6% / 28.7%
Russell 2000:	1,159.93 (-3.99%)		

Equity markets lost ground as investors weighed the risk of contagion from Portugal and speculated about market valuation levels when the DJIA crossed 17,000. Stocks initially sold-off to begin the week as investors took profits in some of the best performing sectors over the past few years. Bio techs, internet stocks and small-caps were hit especially hard. Equities rebounded Wednesday on optimism over corporate profits after **Alcoa Inc.** posted better-than-expected results in the unofficial start to earnings season. However, stocks lost ground on Thursday following the announcement that Portugal's Banco Espirito Santo SA parent missed a debt payment, renewing Eurozone financial system fears. Stocks pared losses on Friday as internet stocks recovered some of their early week losses. Stocks news was relatively light as investors look ahead to earnings season kicking into high gear next week. **Tesla Motors Inc.** shares retreated after a high-speed police chase of a stolen Model S car split in two and caught fire. In addition, the company reported they were being sued in China for trademark infringement. **TRW automotive Holdings Corp.** gained following reports they have been approached by Germany's **ZF Friedrichshafen AG** to possibly form the second-largest auto-part supplier by revenue. **United Continental Holdings Inc.** continued its meteoric rise on higher-than-expected revenue as performance from domestic and Pacific routes improved. Looking ahead to next week, many bellwethers including **Johnson & Johnson**, **Wells Fargo & Co.**, **JPMorgan Chase & Co.**, **Citigroup Inc.** and **Twenty-First Century Fox Inc.** are set to report earnings.