

US Economy and Credit Markets			
Yields and Weekly Changes:			
3 Mo. T-Bill:	0.02 (+01 bps)	GNMA (30 Yr) 6% Coupon:	112-08/32 (1.50%)
6 Mo. T-Bill:	0.04 (unch.)	Duration:	3.69 years
1 Yr. T-Bill:	0.09 (-01 bps)	30-Year Insured Revs:	163.4% of 30 Yr. T-Bond
2 Yr. T-Note:	0.45 (-02 bps)	Bond Buyer 40 Yield:	4.49 (-05 bps)
3 Yr. T-Note:	0.90 (-03 bps)	Crude Oil Futures:	97.65 (-.23)
5 Yr. T-Note:	1.62 (-04 bps)	Gold Futures:	1308.90 (+15.30)
10 Yr. T-Note:	2.42 (-07 bps)	Merrill Lynch High Yield Indices:	
30 Yr. T-Bond:	3.23 (-05 bps)	U.S. High Yield:	6.21% (-10 bps)
		BB:	4.99% (-09 bps)
		B:	6.27% (-13 bps)

Treasuries rallied this week and the yield curve flattened as investors weighed potential for a slower pace of rate hikes, geopolitical uncertainty, mixed economic data, and volatility in equity markets. On Monday, spreads between five year notes and 30 year bonds had reached their highest level in two weeks as traders weighed recent data showing weakness in the job market and cut bets that the Fed would raise rates quickly. On Tuesday, June Factory Orders beat expectations rising 1.1%, ahead of expectations for a .6% increase while fears of a Russian invasion in Ukraine sent equities downward and kept a bid for bonds in place. Rising tensions in the Ukraine continued to stoke fear among investors midweek, sending the 10 year yields to touch the lowest level since May. The June Trade Balance was also reported at -\$41.5B, above the -\$44.8B consensus figure. On Thursday, data showed strength in initial and continuing jobless claims but the conflict in Ukraine continued to dominate headlines, pushing yields down toward their lowest level of the year. On Friday 2Q Nonfarm Productivity and Unit Labor Costs for 2.5% and .6%, respectively, ahead of consensus, while June Inventories and Trade Sales both increased less than expected. Headlines on Friday also broadcast unrest in the Middle East as the U.S. launched airstrikes against IS militants and a ceasefire in Gaza fell apart, keeping demand for treasuries firmly in place. Major economic reports (and related consensus forecasts) for the upcoming week include: Tuesday: July Monthly Budget Statement (-\$96B); Wednesday: July Advance Retail Sales (+.2% MoM) and Retail Sales Ex-Autos (+.1% MoM); Thursday: July Import Price Index (-.4% MoM); Friday: Aug Empire Manufacturing (20), July PPI Final Demand (+.1% MoM) and Ex-Food and Energy (+.2% MoM), July Industrial Production (+.3%), July Capacity Utilization (79.2%) and Aug P Univ. of Michigan Confidence (82.5).

US Equities			
Weekly Index Performance:		Market Indicators:	
DJIA:	16,553.93 (0.47%)	Strong Sectors:	Cons. Discretionary, Materials,
S&P 500:	1,931.59 (0.40%)		Cons. Staples
S&P Midcap:	1,379.30 (0.91%)	Weak Sectors:	Telecom., Health Care,
S&P Smallcap:	652.14 (1.39%)		Info. Tech.
NASDAQ Comp:	4,370.90 (0.50%)	NYSE Advance/Decline:	1,987 / 1,239
Russell 2000:	1,131.35 (1.50%)	NYSE New Highs/New Lows:	106 / 196
		AAll Bulls/Bears:	30.9% / 38.2%

Equity markets closed the week moderately higher amid a see-saw week of trading highlighted by geopolitical news headlines. Monday, stocks opened higher as Portugal announced a bailout of their defunct bank **Banco Espirito Santo SA**. Mid-week markets retreated to close at their lowest levels since April on Thursday as tensions in Ukraine grabbed headlines. Friday, stocks rallied as the Russian news agency tweeted "Russia Seeking to De-Escalate Ukraine Conflict" the news was attributed to Russia's Security Council and spurred on equity markets with the news. Also on Friday, the United States announced a strategic bombing of the IS militant group taking over parts of Iraq. Meanwhile earnings season continued as **Berkshire Hathaway** advanced over 3% to an all-time high amid their earnings announcement on Monday. **VeriSign Inc.** also climbed as Berkshire CEO Warren Buffet raised his holding of the company to 10% from 8%. Shares in **Dollar General** gained some steam as rumors they may enter a bid for **Family Dollar** that would challenge the **Dollar Tree Inc.** \$8.5b offer. **Twenty-First Century Fox Inc.** withdrew their bid for **Time Warner Inc.** as Warner's board refused to engage in further price talks with Fox, which sent the company down the most since 2008. **Coach Inc.** rallied as the luxury handbag maker posted positive quarterly profits and raised guidance citing growing demand in China. **Avis Budget Group Inc.** moved higher as profits and revenues continue to grow faster than expectations. **Sprint Corp.** fell nearly 24% for the week as regulatory concerns in their bid to buy **T-Mobile US Inc.** injected uncertainty into the merger. Looking ahead to next week, earnings season continues as **The Priceline Group, Deere & Co, Macy's Inc., Cisco Systems Inc., Wal-Mart Stores Inc., Nordstrom Inc., Applied Materials Inc., Agilent Technologies Inc., AutoDesk Inc.** and others are all expected to announce results.