US Economy and Credit Markets

Yields and Weekly Changes:

3 Mo. T-Bill:	0.02 (unch.)	GNMA (30 Yr) 6% Coupon:	112-12/32 (1.45%)
6 Mo. T-Bill:	0.05 (unch.)	Duration:	3.69 years
1 Yr. T-Bill:	0.10 (+02 bps)	30-Year Insured Revs:	167.09% of 30 Yr. T-Bond
2 Yr. T-Note:	0.49 (+08 bps)	Bond Buyer 40 Yield:	4.45 (+01 bps)
3 Yr. T-Note:	0.97 (+11 bps)	Crude Oil Futures:	93.49 (-3.86)
5 Yr. T-Note:	1.66 (+12 bps)	Gold Futures:	1,279.90 (-24.6)
10 Yr. T-Note:	2.40 (+06 bps)	Merrill Lynch High Yield Indices:	
30 Yr. T-Bond:	3.16 (+03 bps)	U.S. High Yield:	5.94% (-06 bps)
		BB:	4.70% (-07 bps)
		B:	6.02% (-05 bps)

The middle of the yield curve is typically more sensitive to monetary policy expectations and moved substantially more than the short and longer yielding Government Bonds last week as the Federal Reserve discussion of monetary policy at Jackson Hole last week focused on the strengthening US economy. There was only a small increase in the yield of longer denominated bonds as global tensions continue to support investor purchases of safe US government debt. Last Tuesday, the July CPI met expectations but was lower than June's and housing starts were slightly below expectations as were building permits. On Thursday of last week, Initial Jobless Claims were slightly less than expected as were continuing claims. Much of the improvement is attributed to fewer layoffs from U.S. employers. This and the discussion at Jackson Hole leads many investors to believe that additional stimulus measures will be considered unnecessary and that an increase in interest rates is possible, though the Federal Reserve has left the timing of such an increase unclear as it is difficult to get a clear employment picture due to "slack," or underemployment. Major economic reports (and related consensus forecasts) for the upcoming week include: Monday: July New Home Sales (430K); Tuesday: July Durable Goods Orders and August Consumer Confidence Index (7.6% and 88.5 respectively); Wednesday: MBA Mortgage Applications (unch.); Thursday: Initial Jobless Claims and 2Q Annualized GDP (300K and 3.9% respectively); Friday: July Personal Income and Spending (.3% and .2%) and August University of Michigan Confidence Survey (80.2).

US Equities

Weekly Index Performance:		Market Indicators:	
DJIA:	17,001.22 (2.10%)	Strong Sectors:	Industrials, Information Technology, Financials
S&P 500:	1,988.40 (1.75%)		
S&P Midcap:	1,425.93 (2.20%)	Weak Sectors:	Telecommunication Services Energy, Consumer Staples
S&P Smallcap:	667.71 (1.63%)		
NASDAQ Comp:	4,538.55 (1.69%)	NYSE Advance/Decline:	2,318 / 914
Russell 2000:	1,160.34 (1.65%)	NYSE New Highs/New Lows:	405 / 52
		AAII Bulls/Bears:	46.1% / 23.7%

Last week the S&P 500 Index closed in positive territory with a 1.75% return. The index moved up early on Monday from the previous week's close and remained near those levels all day returning 0.86%. Better than expected housing starts data helped stocks continue their advance on Tuesday as the index returned 0.52% for the trading day. July housing starts of 1,093K at an annualized rate was much higher than expectations of 965K and June's 945K. Fear of a potential interest rate increase by the Federal Reserve sooner than anticipated made Wednesday more volatile, but still kept the positive streak going with a 0.25% return. More positive economic data with existing home sales and jobless numbers were released on Thursday. July existing home sales of 5.15M annualized beat expectations of 5.02M. US initial jobless claims were 298K, which was a decrease from the previous week's 311K and was lower than the consensus estimate of 303K. This helped the S&P 500 Index return 0.30% and hit a new all-time closing high of 1,992.37, surpassing the previous high of 1,987.98 on July 24. Investors were awaiting Fed Chairwoman Janet Yellen's comments from Jackson Hole, Wyoming on Friday. There was no clear indication given of the Fed's timeline to increase rates and the index gave us it's only down day of the week with a return of -0.19%. Nine of the ten economic sectors had positive performance for the week. The industrials sector was the best performing sector with a 2.37% return. The information technology and financials sectors followed with 2.36% and 2.33% returns, respectively. The telecommunication services sector's -0.38% return was the worst performance of all the sectors and was followed by energy and consumer staples which returned 0.60% and 0.78%, respectively. **Keurig Green Mountain Inc.**, a specialty coffee and coffee maker business, turned in the best performance in the S&P 500 Index with a 15.97% gain. The next two best performers were **Ross Stores Inc.** and **TJX Companies Inc.** with returns of 13.46% and 11.70%, respectively. This week will bring earnings news from **Brown-Forman Corp., Dollar General Corp., Tiffany & Co.. Best Buy Co. Inc.** and others.