

**For The Week Ended December 26, 2008**  
**Weekly Market Commentary & Developments**

**US Economy and Credit Markets:****Yields and Weekly Changes:**

<b>3 Mo. T-Bill</b>	-0.01 (-02 bps)	<b>GNMA (30 Yr) 7% Coupon:</b> 103-26/32 (4.84%)
<b>6 Mo. T-Bill</b>	0.22 (+08 bps)	<b>Duration:</b> 2.75 years
<b>1 Yr. T-Note</b>	0.35 (-02 bps)	<b>30-Year Insured Revs:</b> 266.1% of 30 Yr. T-Bond
<b>2 Yr. T-Note</b>	0.88 (+14 bps)	<b>Bond Buyer 40 Yield:</b> 6.02% (-04 bps)
<b>3 Yr. T-Note</b>	1.05 (+02 bps)	<b>Crude Oil Futures:</b> 37.68 (+3.81)
<b>5 Yr. T-Note</b>	1.50 (+14 bps)	<b>Gold Futures:</b> 870.40 (+34.00)
<b>10 Yr. T-Bond</b>	2.13 (+01 bps)	<b>Merrill Lynch High Yield Indices:</b>
<b>30 Yr. T-Bond</b>	2.60 (+05 bps)	<b>BB, 7-10 Yr.</b> 13.20% (-27 bps)
		<b>B, 7-10 Yr.</b> 16.89% (-58 bps)

Although Treasury yields were mostly higher across the curve, thin trading conditions throughout the holiday-shortened week made it difficult to draw any meaningful conclusions from this market activity. Several notable Treasury auctions were completed during the week: a record \$38 billion two-year Note issue was sold Monday, a record \$28 billion five-year Note issue was sold Tuesday and the latest four-week Bill was purchased at a zero yield. All of which seem to provide further indication of the continued strong investor demand for the safety of Treasury securities. According to one market source, the Treasury has sold a total of \$866 billion securities this year – a 68% increase over 2007. Economic news releases included the Commerce Department report of a decline in the Core PCE Index to 1.9% (the lowest level since March 2004) and a Labor Department report showing initial jobless claims increased to a 26-year high. Economic reports (and related consensus forecasts) for the coming week include: Tuesday: Dec. Chicago Purchasing Managers Index (33.0) and Dec. Consumer Confidence (45.5); Wednesday: Initial Jobless Claims (575,000); and Friday: Dec. ISM Manufacturing Index (35.4).

**US Stocks:****Weekly Index Performance**

<b>DJIA</b>	8515.55 (-63.56,-0.7%)
<b>S&amp;P 500</b>	872.80 (-15.08,-1.7%)
<b>S&amp;P MidCap</b>	514.90 (-8.49,-1.6%)
<b>S&amp;P Small Cap</b>	256.32 (-4.23,-1.6%)
<b>NASDAQ Comp</b>	1530.24 (-34.08,-2.2%)
<b>Russell 2000</b>	476.77 (-9.49,-2.0%)

**Market Indicators**

<b>Strong Sectors:</b> Consumer Staples, Telecom, Energy
<b>Weak Sectors:</b> Financials, Consumer Discretionary, Tech
<b>NYSE Advance/Decline:</b> 1,478 / 1,751
<b>NYSE New Highs/New Lows:</b> 9 / 88
<b>AAII Bulls/Bears:</b> 29.0% / 43.9%

U.S. stocks edged lower in light trading on the holiday shortened week. Economic data continued to paint a grim picture as payrolls weakened further and housing failed to show signs of stabilization. Domestic automaker shares fell sharply one week after receiving a lifeline from the federal government on concerns it won't prevent bankruptcy filings. **Toyota** announced it will post its first ever annual operating loss in its current fiscal year. In earnings news, **Walgreen** fell short of forecasts and will slow expansion plans in response to the economy. **Caterpillar** announced staff pay cuts and a voluntary separation program in an effort to cut expenses. **CIT Holdings** received approval to become a bank holding company and promptly received \$2.3 billion in TARP funds. **GMAC** also received approval to become a bank holding company making it eligible for government bailout funds. **Amazon** said it had its best holiday season ever though the news failed to boost its shares significantly. Looking ahead, the coming holiday shortened week brings to a close a difficult year in the equity markets. Trading volumes are likely to be light and there are few scheduled economic and earnings releases so it will be hard to draw any lasting conclusions from the week's activity. Barring a significant rally, 2008 will go down as one of the worst years on record for equity investors.