

For The Week Ended July 18th, 2008
Weekly Market Commentary & Developments

US Economy and Credit Markets:
Yields and Weekly Changes:

3 Mo. T-Bill	1.45 (-13 bps)	GNMA (30 Yr) 8% Coupon: 105-9/32 (6.10%)
6 Mo. T-Bill	1.91 (-10 bps)	Duration: 3.33 years
1 Yr. T-Note	2.24 (-03 bps)	30-Year Insured Revs: 104.3% of 30 Yr. T-Bond
2 Yr. T-Note	2.65 (+05 bps)	Bond Buyer 40 Yield: 5.29% (+19 bps)
5 Yr. T-Note	3.42 (+14 bps)	Crude Oil Futures: 128.92 (-16.16)
10 Yr. T-Bond	4.09 (+14 bps)	Gold Futures: 958.00 (-2.60)
30 Yr. T-Bond	4.65 (+11 bps)	Merrill Lynch High Yield Indices:
		BB, 7-10 Yr. 8.70% (+01 bps)
		B, 7-10 Yr. 11.07% (-04 bps)

After two days of gains to open the week, Treasury prices fell in each of the final three trading sessions as the equity markets bounced back, ending the week with price declines for longer-maturity debt. The early week gains were spurred by fears relating to the status of Fannie Mae and Freddie Mac -- both of which had successful debt auctions during the week -- as well as statements from Fed Chairman Ben Bernanke. In his semiannual statement before Congress, Bernanke noted that higher fuel prices, tight credit conditions, and the continuing weakness in the housing market all posed impediments to growth in the U.S. economy in the second half of the year. The comments on weakness added to speculation that the Fed will continue to keep its target rate steady rather than begin the process of increasing rates in order to try to bring inflation under control. Those fears of inflation also helped push prices down later in the week, as did a strong rebound in the stock markets and a sharp decline in oil prices. Economic reports (and related consensus forecasts) for the coming week include: Monday: June Leading Indicators (-0.1%); Wednesday: Fed's Beige Book released; Thursday: Initial Jobless Claims (380,000) and June Existing Home Sales (4.94 million); Friday: June Durable Goods Orders (-0.3%, Ex Transportation -0.2%), July Final U of Michigan Confidence (56.3), and June New Home Sales (503,000).

US Stocks:
Weekly Index Performance

DJIA	11496.57 (+396.03,+3.6%)
S&P 500	1260.68 (+21.19,+1.7%)
S&P MidCap	800.38 (+12.60,+1.6%)
S&P Small Cap	363.49 (+9.48,+2.7%)
NASDAQ Comp	2282.78 (+43.70,+2.0%)
Russell 2000	693.08 (+18.13,+2.7%)

Market Indicators

Strong Sectors:	Financials, Consumer Services, Industrials
Weak Sectors:	Energy, Utilities, Materials, Telecommunications
NYSE Advance/Decline:	1,850 / 1,465
NYSE New Highs/New Lows:	46 / 1,361
AAll Bulls/Bears:	25.0% / 58.1%

Financial stocks led the rise for both the Dow Jones Industrial Average and the S&P 500 which put an end to the six week losing streak. The Dow had its biggest three-day gain since March 2003 and the S&P finished up 1.7%. **Wells Fargo** shares rose 21% last week after boosting its dividend. Both **Fannie Mae** (up 31%) and **Freddie Mac** (up 18%) gained as Washington debated what action to take to alleviate investors' concerns. **Citigroup** finished the week up almost 20% after posting a lower than expected second quarter loss. **General Motors** gained almost 33% as oil prices fell and investors responded favorably to a strategy shift. **AMR Corporation** reported a smaller than expected loss which led to a 50% gain for the week. These results and oil's decline helped other airline stocks. **International Game Technology** was down almost 6% for the week after saying that the weak economy has led to a significant drop in casino play. **Seagate Technology** declined almost 13% after weak fourth quarter earnings and disappointing guidance. **Ebay** shares were down more than 14% despite posting good second quarter earnings as investors fear a sluggish economy will hamper the auction website's growth. Crude oil was down for the week as it lost 11%. Looking ahead, investors will be watching to see if the financial sector can continue the rally as **Bank of America**, **Washington Mutual** and **Wachovia** among other financials report this week. **Caterpillar** and **Dupont** report on Tuesday followed by **Boeing**, **McDonald's** and **Pfizer** on Wednesday. Investors will be looking forward to the revised Reuters/University of Michigan consumer sentiment data for July that is due to come out on Friday.