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Weekly Market Update

**For the week ended
February 16, 2007**

US Stocks	
Weekly Index Performance	
DJIA:	12767.57 (+186.74, +1.5%)
S&P 500:	1455.54 (+17.48, +1.2%)
S&P MidCap:	858.69 (+13.66, +1.6%)
S&P SmallCap:	417.35 (+5.77, +1.4%)
Nasdaq Comp:	2496.31 (+36.49, +1.5%)
Russell 2000:	818.15 (+11.04, +1.4%)
Market Indicators	
Strong Sectors:	Basic Materials, Transports, Telecom
Weak Sectors:	Energy, Utilities, Health Care, REIT's
NYSE Advance/Decline:	2,350 / 1,191
NYSE New Highs/New Lows:	678 / 43
AAII Bulls/Bears:	47.6% / 31.1%

US stocks chugged higher on deal speculation, share buyback activity, positive earnings news and a benign assessment of the economy from Federal Reserve Chairman Bernanke. The DJIA logged its best week in three months, while the Dow Transportation and Utilities averages joined the Industrials in record territory. The Fed Chairman's testimony to Congress appeared to communicate the Fed's intent to remain on hold with respect to interest rates for some time. The week's economic data revealed weakness, witness a drop in industrial production and a plunge in housing starts. Core producer prices rose as expected. Deals underpinning the market included Spain's **Banco Bilbao Vizcaya Argentaria** agreeing to purchase **Compass Bancshares** for $9.6 billion. Speculation swirled around **Alcoa** and **DaimlerChrysler**'s Chrysler division as possible targets. **Caterpillar** and **3M** announced large buybacks. **Deere & Co.** beat earnings estimates and boosted guidance, sending its shares higher. **Home Depot** is considering moves to unlock shareholder value. **Baker Hughes** came up short of earnings targets and warned of future disappointment. Results out of **Applied Materials** were well-received. **Microsoft** shares fell Friday after CEO Ballmer guided some analyst's expectations down re: Vista revenues for fiscal '08. Looking ahead, Wednesday's CPI report and earnings reports from retailers are likely the events in focus for investors in the coming, holiday-shortened week. Despite the pervasive presence of a "wall of worry", market fundamentals appear solid and stocks continue to win converts among investors in the competition for capital.

US Economy and Credit Markets	
Yields and Weekly Changes:	
3 Mo. T-Bill:	5.15% (+01 bps)
6 Mo. T-Bill:	5.13% (-01 bps.)
2 Yr. T-Note:	4.82% (-07 bps)
3 Yr. T-Note:	4.72% (-09 bps)
5 Yr. T-Note:	4.67% (-09 bps)
10 Yr. T-Note:	4.68% (-09 bps)
30 Yr. T-Bond:	4.78% (-07 bps)
GNMA (30 Yr) 8% Coupon:	103-28/32 (6.80%)
Duration:	3.24 years
30 Year Insured Revs:	90.8% of 30 Yr. T-Bond
Bond Buyer 40 Yield:	4.56% (-05 bps)
Goldman Sachs Commodity Index:	5572.13 (-22.37)
Merrill Lynch High Yield Indices:	
BB, 7-10 Yr.	6.91% (-07 bps)
B, 7-10 Yr.	7.85% (-09 bps)

Treasuries softened early in the week as investors and traders awaited Federal Reserve Chairman Bernanke's monetary policy report to Congress beginning on Wednesday. The Chairman's economic outlook was consistent with recent statements by other Fed officials: growth appears to be moderating and inflation, although still a concern is likely to also moderate in the near term – any changes in Fed policy will be largely dependent upon changing economic conditions. In reaction to the Chairman's generally positive assessment of the economy, Treasury prices moved sharply higher on the day as many market participants inferred from these comments that the Fed Funds target rate would remain steady in the coming months. For the balance of the week, other economic reports were generally mixed and Treasury yields continued to trend lower, in a relatively narrow range, through the close of trading Friday. Fixed-income markets closed early Friday in advance of the long Presidents Day holiday weekend. Economic reports (and related consensus forecasts) for the coming week include: Wednesday: January Consumer Price Index (0.1%, less Food and Energy 0.2%) and January Leading Indicators (0.2%); and Thursday: Initial Jobless Claims (325,000).

Source: Bloomberg and Barron's