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For The Week Ended October 31, 2008

Weekly Market Commentary & Developments

US Economy and Credit Markets:

Yields and Weekly Changes:

3 Mo. T-Bill	0.43 (-43 bps)	**GNMA (30 Yr) 7% Coupon:**	102-20/32 (6.11%)
6 Mo. T-Bill	0.92 (-47 bps)	**Duration:**	3.86 years
1 Yr. T-Note	1.33 (-27 bps)	**30-Year Insured Revs**:	144.2% of 30 Yr. T-Bond
2 Yr. T-Note	1.55 (+02 bps)	**Bond Buyer 40 Yield**:	6.08% (+19 bps)
5 Yr. T-Note	2.80 (+20 bps)	**Crude Oil Futures**:	67.90 (+3.18)
10 Yr. T-Bond	3.96 (+26 bps)	**Gold Futures**:	724.00 (-1.10)
30 Yr. T-Bond	4.36 (+05 bps)	**Merrill Lynch High Yield Indices:**	
		BB, 7-10 Yr.	12.94% (+29 bps)
		B, 7-10 Yr.	17.36% (+06 bps)

Prices for longer-maturity Treasurys, including the benchmark 10-year note declined for the week. Amid signs that the numerous measures taken by the Fed and other central banks around the world to free up the credit markets are beginning to have an effect, the demand for Treasurys declined, pushing prices lower at the long end of the yield curve. As expected, the FOMC cut the target rate by 50 bps to 1% when it announced its decision Wednesday. GDP fell at an annual rate of 0.3% in third quarter, bettering expectations of a 0.5% decline. In addition, while personal income increased by 0.2% in September, personal spending fell by 0.4%, with durable goods seeing the greatest decline. Economic reports (and related consensus forecasts) for the coming week include: Monday: October Total Vehicle Sales (12.0 million) and October ISM Manufacturing (41.5, Prices Paid 48.0); Tuesday: September Factory Orders (-1.0%); Wednesday: October ISM Non-Manufacturing Index (47.5); Thursday: 3Q Preliminary Nonfarm Productivity (0.9%) and Unit Labor Costs (2.7%) and Initial Jobless Claims (476,000); and Friday: October Employment Report, including, Change in Nonfarm Payrolls (-198,000), Unemployment Rate (6.3%), Average Hourly Earnings (0.2%), and Average Weekly Hours (33.6), September Wholesale Inventories (0.3%), and September Consumer Credit (-$0.5 billion).

US Stocks:

Weekly Index Performance

DJIA	9325.01 (+946.06,+11.3%)
S&P 500	968.75 (+91.98,+10.5%)
S&P MidCap	568.49 (+66.95,+13.4%)
S&P Small Cap	287.67 (+36.13,+14.4%)
NASDAQ Comp	1720.95 (+168.92,+10.9%)
Russell 2000	537.52 (+66.40,+14.1%)

Market Indicators

Strong Sectors: Materials, Energy, Consumer Discretionary
Weak Sectors: Health Care, Utilities
NYSE Advance/Decline: 2,698 / 601
NYSE New Highs/New Lows: 8 / 899
AAII Bulls/Bears: 37.1% / 40.6%

US stocks ended a month to forget on a positive note by posting gains in back-to-back sessions for the first time since September, while also advancing the most in a single week since 1974. The gains came as credit markets showed signs of improvement, the Federal Reserve cut the benchmark lending rate by 50 bps, institutional investors rebalanced into equities from bonds, and mutual funds concluded tax-loss selling. For stocks, October was the worst month in 21 years as measured by the S&P 500. Economic data for the week was grim, though not unexpectedly so. The initial reading on Q3 GDP at -0.3% was the weakest since 2001, but came in a bit better than expected. Crude oil rose 5.7% for the week, but still prices tumbled 33% for the month. Bank shares rallied on the week's rate cut and recapitalization activity. **JPMorgan Chase** shares climbed 16% as the bank announced a program to modify mortgages. **Goldman Sachs** traded lower on jitters about its future as a commercial bank. **Hartford Financial Services Group** shares tumbled 58% on fears investment losses would necessitate a capital raise. **Boeing** shares rebounded 15% as the company reached a tentative agreement with the machinists' union to settle an eight-week strike. Earnings from **Verizon Communications** came in ahead of estimates, lifting the telco's shares. **ExxonMobil** reported the largest quarterly profit in US history despite lower production of energy. In merger news, **CenturyTel** announced a deal to acquire **Embarq** for $5.8 billion in shares. Looking ahead to the coming week, Tuesday's election results and Friday's monthly employment report will potentially be market-moving events, with corporate earnings less so as third-quarter reporting season is now on the wane. Investors will likely need evidence the US recession will be short and shallow before plowing headlong back into equities. The housing market, labor market, and investor tax rates look to be in the spotlight for the foreseeable future.