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For The Week Ended February 8, 2008
Weekly Market Commentary & Developments

US Economy and Credit Markets:

Yields and Weekly Changes:

3 Mo. T-Bill	2.21 (+13 bps)	**GNMA (30 Yr) 8% Coupon:** 104-24/32 (5.84%)	
6 Mo. T-Bill	2.10 (-03 bps)	**Duration:** 3.00 years	
2 Yr. T-Note	1.92 (-14 bps)	**30-Year Insured Revs**: 101.6% of 30 Yr. T-Bond	
5 Yr. T-Note	2.68 (-05 bps)	**Bond Buyer 40 Yield**: 4.83% (+02 bps)	
10 Yr. T-Note	3.64 (+06 bps)	**Crude Oil Futures**: 91.74 (+2.91)	
30 Yr. T-Bond	4.41 (+11 bps)	**Gold Futures**: 919.00 (+15.30)	
		Merrill Lynch High Yield Indices:	
		BB, 7-10 Yr.	7.94% (+10 bps)
		B, 7-10 Yr.	10.23% (+37 bps)

Treasury yields were mixed for the week, with declines at the short end of the curve -- including the eighth straight weekly price gain for the 2-year note -- and increases for longer-maturity debt. Prices for longer term securities fell sharply Thursday when the Treasury's $9 billion auction of 30-year bonds drew much less bidding than had recent auctions, especially from foreign central banks. A large portion of that price drop was recovered on Friday, however, as investors sought the safety of Treasuries as the risk of corporate defaults grows along with fears that the economy may sink into recession. The continued decline in the 2-year note has left its spread with the 10-year note at its widest level since 2004, an indication that traders feel that another Fed rate cut is forthcoming. Economic reports (and related consensus forecasts) for the coming week include: Tuesday: January Monthly Budget Statement ($20.0 billion); Wednesday: January Advance Retail Sales (-0.3%, less Autos 0.2%) and December Business Inventories (0.5%); Thursday: December Trade Balance (-$61.5 billion) and Initial Jobless Claims (345,000); and Friday: January Import Price Index (0.4%), January Industrial Production (0.1%) and Capacity Utilization (81.4%), and February Preliminary U of Michigan Consumer Confidence (76.0).

US Stocks:

Weekly Index Performance

DJIA	12182.13 (-561.06,-4.4%)
S&P 500	1331.29 (-64.13,-4.6%)
S&P MidCap	794.08(-29.35,-3.6%)
S&P Small Cap	369.02 (-15.62,-4.1%)
NASDAQ Comp	2304.85 (-108.51,-4.5%)
Russell 2000	698.60 (-31.60,-4.3%)

Market Indicators

Strong Sectors: Consumer Staples, Health Care, Energy
Weak Sectors: Financials, Telecomm, Technology
NYSE Advance/Decline: 919 / 2,640
NYSE New Highs/New Lows: 70 / 112
AAII Bulls/Bears: 34.1% / 47.2%

U.S stocks gave up almost all of the prior week's gains as the week's data pointed solidly toward a slowing economy. The bulk of the week's losses came Tuesday after the ISM services index plunged much lower than expected signaling a considerable slow down in the non-manufacturing sector. Consumer staples and health care weathered the storm better than most as investors rushed to the relative safety of those defensive sectors. Financials were under pressure the entire week with numerous downgrades in the group based on continuing credit concerns. **Pepsi** reported strong quarterly results. **Disney** reported earnings ahead of estimates on strong results from its cable networks and theme parks. Airlines gained ground on renewed consolidation rumors in the group. **Amazon.com** announced a $1 billion share buyback sending its shares higher late in the week. Retailers fell on the week as conditions remain challenging despite a sharp rally after January same-store sales were reported. **Wal**-**Mart** and **Target** were both below forecasts while **Costco** reported strong sales. **Cisco** lowered 3Q forecasts sending its shares sharply lower on Thursday before recovering to end the day flat. **Nymex** and **CME Group** both plummeted after the Justice Department issued a letter raising anti-competitive concerns in the futures industry. **Time Warner** is looking to sell its **AOL** internet access business. Looking ahead, the coming week brings only a handful of earnings and economic reports to keep an eye on as investors weigh the likelihood of a recession. Equity valuations remain compelling at current levels however a catalyst will be needed to overcome the growing negative sentiment and to propel stocks appreciably higher.