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For The Week Ended June 27, 2008
Weekly Market Commentary & Developments

US Economy and Credit Markets:

Yields and Weekly Changes:

3 Mo. T-Bill	1.66 (-19 bps)	**GNMA (30 Yr) 8% Coupon:** 105-11/32 (5.98%)	
6 Mo. T-Bill	2.11 (-11 bps)	**Duration:** 3.35 years	
1 Yr. T-Note	2.31 (-15 bps)	**30-Year Insured Revs**: 109.8% of 30 Yr. T-Bond	
2 Yr. T-Note	2.62 (-26 bps)	**Bond Buyer 40 Yield**: 5.19% (-06 bps)	
5 Yr. T-Note	3.34 (-24 bps)	**Crude Oil Futures**: 140.90 (+6.28)	
10 Yr. T-Bond	3.96 (-19 bps)	**Gold Futures**: 931.30 (+30.00)	
30 Yr. T-Bond	4.52 (-20 bps)	**Merrill Lynch High Yield Indices:**	
		BB, 7-10 Yr.	8.42% (+15 bps)
		B, 7-10 Yr.	10.77% (+34 bps)

Treasury yields drifted lower early in the week as most traders and investors cautiously awaited the results of the FOMC rate decision on Wednesday and consumer confidence dropped to a 16-year low. Although the Fed's decision to leave the target short-term rate unchanged (at 2.0%) was widely anticipated, the Central Bank's seemingly subdued concerns about the current level of inflation risks was generally unexpected and suggested to many market participants that a near-term change in policy was unlikely. Based on this somewhat surprising development, a steep sell-off in the equity markets and surging oil prices, Treasuries continued to post gains through the end of trading Friday. Economic reports (and related consensus forecasts) for the coming week include: Monday: June Chicago Purchasing Manager Index (48.2); Tuesday: June ISM Manufacturing Index (48.7) and May Construction Spending (-0.6%); Wednesday: June ADP National Employment Report (-20,000) and May Factory Orders (0.4%); and Thursday: Initial Jobless Claims (385,000), June ISM Non-Manufacturing Index (51.0) and June Employment Report including Unemployment Rate (5.4%), Change in Non-farm Payrolls (-60,000) and Average Hourly Earnings (0.3%).

US Stocks:

Weekly Index Performance

DJIA	11346.51 (-496.18,-4.2%)
S&P 500	1278.38 (-39.55,-3.0%)
S&P MidCap	823.28 (-31.12,-3.6%)
S&P Small Cap	368.47 (-15.98,-4.2%)
NASDAQ Comp	2315.63 (-90.46,-3.8%)
Russell 2000	698.14 (-27.59,-3.8%)

Market Indicators

Strong Sectors: Energy, Health Care, Mining & Metals, Utilities
Weak Sectors: Financials, Industrials, Consumer Discretionary
NYSE Advance/Decline: 671 / 2,630
NYSE New Highs/New Lows: 102 / 679
AAII Bulls/Bears: 31.3% / 52.3%

US stocks fell to new lows for 2008 and at week's end teetered on the brink of bear market territory. Investors found fault with the week's major earnings reports while crude oil's 3.6% advance and more negative headlines concerning Financials stoked worries about inflation and stagnating growth. The FOMC decision to leave interest rates unchanged was not unexpected although investors appeared to be disappointed with its less-hawkish stance on inflation. With one session remaining in June, stocks appear headed for their worst month since September 2002. The DJIA and S&P 500 now sit 19.9% and 18.3% lower respectively, than their October peaks. **United Parcel Service** shares tumbled 9% after the company cut its second quarter profit outlook. **Oracle** posted better-than-expected results but projected slowing growth in software sales. **Research In Motion** shares tumbled 16% after the company served up earnings guidance that fell short of expectations. **Nike**'s spending on promotions weighed on profits. **Kroger**'s strong results lifted its shares. **Darden Restaurants** beat estimates, evidence not all consumer plays are struggling at present. **Dow Chemical**'s second move in a month to raise prices failed to dispel worries over profit margins. Financial shares continued lower across the board. **Citigroup** shares fell 10% on analyst action. **Merrill Lynch** shares were hit on speculation second quarter write-downs would be significant. **Morgan Stanley** was put on watch for a credit downgrade. **General Motors** and **Ford** were each subject to speculation they need additional capital. Looking ahead to the coming, holiday-shortened week, investors will likely key on Thursday's monthly employment report for a signpost on the economy before heading off to celebrate Independence Day. Though stocks appear in the process of pricing in a higher cost of capital, at current levels they appear to represent good value compared to competing asset classes.