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For The Week Ended August 8, 2008

Weekly Market Commentary & Developments

US Economy and Credit Markets

Yields and Weekly Changes:

3 Mo. T-Bill	1.69 (+03 bps)	**GNMA (30 Yr) 8% Coupon:**	105-24/32 (5.94%)
6 Mo. T-Bill	1.94 (+08 bps)	**Duration:**	3.36 years
1 Yr. T-Note	2.17 (-06 bps)	**30-Year Insured Revs**:	110.8% of 30 Yr. T-Bond
2 Yr. T-Note	2.49 (unch)	**Bond Buyer 40 Yield**:	5.32% (-01 bps)
5 Yr. T-Note	3.19 (-01 bps)	**Crude Oil Futures**:	114.99 (+10.11)
10 Yr. T-Bond	3.93 (unch)	**Gold Futures**:	857.80 (-51.20)
30 Yr. T-Bond	4.53 (-02 bps)	**Merrill Lynch High Yield Indices:**	
		BB, 7-10 Yr.	8.74% (-02 bps)
		B, 7-10 Yr.	11.37% (+12 bps)

Uncertainty regarding market reaction to the Treasury's sale of $27 billion Ten-year Notes and 30-year Bonds; a report that the Fed's preferred inflation gauge remained stubbornly above 2%; and a cautionary statement (accompanying the Fed's decision to hold its target rate unchanged at 2.0%) warning that inflation was a "significant concern" were the main factors depressing Government prices early in the week. However, Treasury Notes and Bonds posted strong gains Thursday after it became evident that both auctions of longer-dated securities had been extremely successful and initial jobless claims increased to a six-week high. But Treasuries again turned lower Friday as equity markets surged and the price of oil dropped sharply. Economic reports (and related consensus forecasts) for the coming week include: Tuesday: June Trade Balance (-$61.9B) and July Monthly Budget Statement (-$87.0B); Wednesday: July Import Price Index (1.0%) and July Advance Retail Sales (-0.1%), June Business Inventories (0.5%); Thursday: Initial Jobless Claims (432,000) and July Consumer Price Index (0.4%, less food and energy 0.2%); and Friday: Aug. Empire State Manufacturing Survey (-4.5), July Industrial Production (0.0%), July Capacity Utilization (79.8%) and Aug. University of Michigan Consumer Confidence Survey (62.0).

US Stocks

Weekly Index Performance

DJIA	11734.32 (+408.00,+3.6%)
S&P 500	1296.32 (+36.01,+2.9%)
S&P MidCap	813.94 (+12.87,+1.6%)
S&P Small Cap	386.23 (+13.57,+3.6%)
NASDAQ Comp	2414.10 (+103.14,+4.5%)
Russell 2000	734.30 (+18.14,+2.5%)

Market Indicators

Strong Sectors: Consumer Discretionary, Tech, Health Care
Weak Sectors: Energy, Materials, Financials
NYSE Advance/Decline: 1,962 / 1,320
NYSE New Highs/New Lows: 90 / 229
AAII Bulls/Bears: 35.6% / 42.4%

US stocks built on the prior week's modest gains to finish last week firmly to the upside. Equities were boosted by a Fed that is unlikely to raise rates in the near term and falling energy prices. Oil dropped almost $10/bbl to end the week at just over $115/bbl. As a result, investors continued to rotate out of energy stocks and the sector was the worst performer for the week. Commodities also continued to slide dragging down materials shares. Consumer discretionary was the best performing sector despite generally weak July same-store sales. Wholesale clubs **Costco** and **BJ's Wholesale** were among the few to report July same store gains. Many mall based stores, teen retailers in particular, posted results that missed forecasts. **McDonalds** reported strong July same-store sales. **Proctor & Gamble** reported strong earnings due to strong overseas demand and the ability to pass on price increases. **Cisco** boosted the tech space after the networking giant reported solid Q4 results and re-iterated its outlook for the remainder of the calendar year. **Fannie Mae** and **Freddie Mac** both plunged after reporting much worse than expected losses and slashing their dividends. **Whole Foods** reported disappointing results and will slow future new store expansion. **AIG** plummeted on higher than expected losses related to the housing and credit crunch. Looking ahead, several economic reports late in the week along with a smattering of earnings are on deck for the coming week. As earnings season winds down stocks will look to build on recent momentum. Should investors sense the worst is behind us, stocks will look to attract money that has been stashed on the sidelines as equities offer a compelling risk/reward relative to other asset classes.