

**For The Week Ended September 4<sup>th</sup>, 2009**  
**Weekly Market Commentary & Developments**

**US Economy and Credit Markets:**

**Yields and Weekly Changes:**

<b>3 Mo. T-Bill</b>	0.12 (unch.)	<b>GNMA (30 Yr) 6% Coupon:</b> 105-18/32 (3.48%)
<b>6 Mo. T-Bill</b>	0.23 (-02 bps)	<b>Duration:</b> 3.36 years
<b>1 Yr. T-Bill</b>	0.42 (-02 bps)	<b>30-Year Insured Revs:</b> 163.2% of 30 Yr. T-Bond
<b>2 Yr. T-Note</b>	1.00 (-08 bps)	<b>Bond Buyer 40 Yield:</b> 5.23% (-10 bps)
<b>3 Yr. T-Note</b>	1.52 (-09 bps)	<b>Crude Oil Futures:</b> 67.83 (-5.05)
<b>5 Yr. T-Note</b>	2.44 (-09 bps)	<b>Gold Futures:</b> 994.39 (+38.89)
<b>10 Yr. T-Note</b>	3.43 (+01 bps)	<b>Merrill Lynch High Yield Indices:</b>
<b>30 Yr. T-Bond</b>	4.19 (+08 bps)	<b>BB, 7-10 Yr.</b> 8.87% (-01 bps)
		<b>B, 7-10 Yr.</b> 10.87% (unch.)

Treasury prices were mixed for the week, with prices lower on the short end of the yield curve but slightly lower at the long end of the curve. Prices opened the week higher as stock prices fell in most markets, a pattern that repeated itself Tuesday, as Treasuries were aided by the Federal Reserve buy back short-term debt. Prices were higher again Wednesday as the forecast for job losses by ADP suggested that the August employment report might be worse than the consensus forecast, driving stock prices lower again. Prices were lower Thursday as supply concerns arose after the Treasury Department announced that it would issue \$128 billion in bonds, notes, and bills during the week. Prices fell again Friday as the employment report showed a loss of 216,000, below consensus forecasts of 230,000 lost jobs. Despite the better-than-expected job losses, the unemployment rate did climb to its highest level since 1983 at 9.7%. Major economic reports (and related consensus forecasts) for next week include: Tuesday: July Consumer Credit (-\$4.0 billion); Wednesday: Fed's Beige Book released; Thursday: July Trade Balance (-\$27.0 billion) and Initial Jobless Claims (560,000); and Friday: August Import Price Index (+1.0%), July Wholesale Inventories (-1.0%), September Preliminary U of Michigan Confidence (67.8), and August Monthly Budget Statement (-\$150.0 billion).

**US Stocks:**

**Weekly Index Performance**

<b>DJIA</b>	9441.27 (-102.93,-1.1%)
<b>S&amp;P 500</b>	1016.40 (-12.53,-1.2%)
<b>S&amp;P MidCap</b>	653.35 (-9.80,-1.5%)
<b>S&amp;P Small Cap</b>	300.87 (-5.77,-1.9%)
<b>NASDAQ Comp</b>	2018.78 (-9.99,-0.5%)
<b>Russell 2000</b>	570.50 (-9.36,-1.6%)

**Market Indicators**

<b>Strong Sectors:</b>	Consumer Staples, Industrials, Health Care
<b>Weak Sectors:</b>	Financials, Utilities, Energy
<b>NYSE Advance/Decline:</b>	1,208 / 1,968
<b>NYSE New Highs/New Lows:</b>	185 / 4
<b>AAll Bulls/Bears:</b>	38.0% / 38.0%

US stocks fell for the week largely thanks to Tuesday's 2% decline that came with renewed worries over the health of large Financials as they look to exit TARP. Stocks recovered on Friday after the week's "big bad event" – the August monthly employment report – was finally out of the way. The report showed job losses continue to moderate although the unemployment rate came in at 9.7%, the highest in 26 years. Other economic data out during the week, including a monthly ISM index of manufacturing activity that crossed 50 for the first time since last September, extended a string of data pointing to progress in the economy's exit from recession. Gold advanced to just short of \$1000/oz. The VIX index of stock option volatility rose. Crude oil prices fell 6.5%. August monthly same-store sales fell 2.9%. **Target, Costco, Gap** and **TJX** reported better than expected sales. **Macy's, J.C. Penney** and **Abercrombie & Fitch** fell short of expectations. In merger news, **Walt Disney** announced it would buy **Marvel Entertainment** for \$4 billion. **Baker Hughes** agreed to acquire **BJ Services** for \$5.5 billion. Over the long weekend, **Kraft Foods** made an unsolicited \$16.7 billion bid for **Cadbury Plc** that was promptly rejected. Looking ahead, the calendar appears fairly light for economic releases and corporate earnings in the coming, holiday-shortened week. A media event from **Apple** on Wednesday may get more attention than anything else. Stocks could be due for a modest pullback after recent gains, but we don't foresee anything more ominous at this point considering the wave of liquidity supporting financial markets.