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For The Week Ended July 9th, 2010
Weekly Market Commentary & Developments

US Economy and Credit Markets:

Yields and Weekly Changes:

3 Mo. T-Bill	0.14 (-02 bps)	**GNMA (30 Yr) 6% Coupon:**	109-8/32 (1.14%)
6 Mo. T-Bill	0.18 (-03 bps)	**Duration:**	3.03 years
1 Yr. T-Bill	0.28 (-01 bps)	**30-Year Insured Revs:**	169.0% of 30 Yr. T-Bond
2 Yr. T-Note	0.62 (+01 bps)	**Bond Buyer 40 Yield:**	5.14% (+01 bps)
3 Yr. T-Note	1.00 (unch)	**Crude Oil Futures:**	76.31 (+4.07)
5 Yr. T-Note	1.83 (+03 bps)	**Gold Futures:**	1210.80 (-1.50)
10 Yr. T-Note	3.05 (+08 bps)	**Merrill Lynch High Yield Indices:**	
30 Yr. T-Bond	4.03 (+10 bps)	**BB, 7-10 Yr.:**	7.48% (-17 bps)
		B, 7-10 Yr.:	8.97% (-18 bps)

Prices for Treasury notes were mostly lower, while T-bills saw higher prices, in a week that was shortened due to the observance of the Independence Day holiday. There was limited economic news for the week. The headline report was the June ISM Non- Manufacturing Index, which fell to 53.8 for the month, down from 55.4 in May and short of the forecast of 55.0. While the June figure did show a decline from May, it was still indicative of expansion in the economy. The other key number for the week was the decline in first-time jobless claims, but still at a level above that signifying expansion of the job market. Major economic reports (and related consensus forecasts) for next week include: Tuesday: May Trade Balance (-$39.0 billion) and June Monthly Budget Statement (-$69.5 billion); Wednesday: June Import Price Index (-0.4%), June Advance Retail Sales (-0.3%, Less Autos unch.), May Business Inventories (+0.3%), and Minutes of FOMC Meeting released; Thursday: June Producer Price Index (-0.1%, Ex Food & Energy +0.1%), Initial Jobless Claims (447,000), June Industrial Production (-0.1%) and Capacity Utilization (74.2%), and July Philadelphia Fed report (10.0); and Friday: June Consumer Price Index (-0.1%, Ex Food & Energy +0.1%) and July Preliminary U of Michigan Confidence (74.0).

US Stocks:

Weekly Index Performance

DJIA	10198.03 (+511.55,+5.3%)
S&P 500	1077.96 (+55.38,+5.4%)
S&P MidCap	739.90 (+37.61,+5.4%)
S&P Small Cap	338.56 (+15.66,+4.9%)
NASDAQ Comp	2196.45 (+104.66,+5.0%)
Russell 2000	629.43 (+30.46,+5.1%)

Market Indicators

Strong Sectors: Materials, Financials, Energy
Weak Sectors: Telecom Svcs., Health Care, Consumer Staples
NYSE Advance/Decline: 2,787 / 424
NYSE New Highs/New Lows: 155 / 116
AAII Bulls/Bears: 20.9% / 57.1%

US stocks registered their best weekly gains in almost a year following the July 4th holiday, observed on Monday. Investors became more comfortable with the outlook for the economy as weekly initial jobless claims fell more than expected. Cyclical stocks and the Financials fared best while defensive sectors trailed. Details came out on European bank stress tests, results for which will be made public later this month. Treasury Secretary Geithner in an interview acknowledged the desirability of keeping investor tax rates low while unemployment remains elevated, a nod to the pending expiration of the Bush tax cuts. Ahead of earnings reporting season, **State Street** preannounced better than expected quarterly profits and its shares rose 13%. **Google** shares rose 14% as concern over the company's future in China ebbed with the renewal of its Internet license there. Retail chain-store sales in June were 3.1% higher than a year ago, less than expected. Among retailers, department stores **JC Penney**, **Macy's** and **Nordstrom** saw good results while discounters **Costco**, **Target** and **TJX** were among those falling short. **Abercrombie and Fitch** surprised with a strong 9% sales gain. **Gap** on the other hand posted flat sales and warned margins could be hurt going forward by inventory clearance. Looking ahead, earnings season kicks off Monday after the close with **Alcoa**'s quarterly report. Over the next few days blue-chips including **Intel**, **JPMorgan Chase**, **Bank of America** and **General Electric** will also report results. Investors will be looking for the impact of the European debt crisis on actual results including any foreign exchange effects, as well as any color provided by corporate executives on the current economic and government policy backdrop. Should forward earnings estimates hold up as we progress through earnings season, stocks could rally as they look inexpensive at current levels.