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For The Week Ended August 13, 2010
Weekly Market Commentary & Developments

US Economy and Credit Markets:

Yields and Weekly Changes:

3 Mo. T-Bill	0.15 (+01 bps)	**GNMA (30 Yr) 6% Coupon:**	109-20/32 (0.88%)
6 Mo. T-Bill	0.18 (unch)	**Duration:**	3.12 years
1 Yr. T-Bill	0.23 (-01 bps)	**30-Year Insured Revs**:	175.9% of 30 Yr. T-Bond
2 Yr. T-Note	0.53 (+04 bps)	**Bond Buyer 40 Yield**:	5.01% (-05 bps)
3 Yr. T-Note	0.80 (+05 bps)	**Crude Oil Futures**:	75.61 (-5.34)
5 Yr. T-Note	1.46 (-04 bps)	**Gold Futures**:	1214.90 (+9.40)
10 Yr. T-Note	2.68 (-13 bps)	**Merrill Lynch High Yield Indices:**	
30 Yr. T-Bond	3.86 (-13 bps)	**BB, 7-10 Yr.:**	7.04% (+10 bps)
		B, 7-10 Yr.:	8.66% (+26 bps)

On the week, prices were lower for shorter maturity Treasury notes, while those on the long end of the curve were higher, sending the yield on the benchmark 10-year note near its lowest level since April 2009. The 10-year note was unchanged Monday as trading activity was limited ahead of Tuesday's Federal Reserve meeting. The announcement by the Fed that it would reinvest proceeds from maturing mortgage debt back into the Treasury market helped drive prices higher Tuesday. In addition, the decline in non-farm productivity in the second quarter influenced prices. Prices were higher again Wednesday in response to the Fed's more pessimistic view of the economy. There was a bit of a move away from the recent flight to safety Thursday, sending Treasury prices lower. Prices rebounded Friday as retail sales increased in July but still fell short of forecasts. Major economic reports (and related consensus forecasts) for next week include: Tuesday: July Producer Price Index (+0.2%, Ex Food & Energy +0.1%), July Housing Starts (560,000), and July Industrial Production (+0.5%) Capacity Utilization (74.5%); and Thursday: Initial Jobless Claims (480,000), August Philadelphia Fed report (7.5), and July Leading Indicators (+0.1%).

US Stocks:

Weekly Index Performance

DJIA	10303.15 (-350.41,-3.3%)
S&P 500	1079.25 (-42.39,-3.8%)
S&P MidCap	734.59 (-37.34,-4.8%)
S&P Small Cap	326.46 (-20.97,-6.0%)
NASDAQ Comp	2173.48 (-114.99,-5.0%)
Russell 2000	609.49 (-41.19,-6.3%)

Market Indicators

Strong Sectors: Telecomm, Staples, Utilities
Weak Sectors: Technology, Industrials, Financials
NYSE Advance/Decline: 783 / 2,392
NYSE New Highs/New Lows: 479 / 119
AAII Bulls/Bears: 39.8% / 30.1%

U.S. stocks fell last week as economic concerns dragged down shares. At its regularly scheduled meeting, the Fed lowered its growth outlook and announced it will use receipts from mortgage backed securities to buy treasuries. Also impacting equities was a drop in 2Q non-farm productivity, rising jobless claims, widening trade deficit and moderation of economic growth in China. In earnings news, **Cisco** rattled tech investors after reporting revenues below forecast and making cautious comments about its outlook. Tech shares and chip companies in particular were also impacted by data from Asia suggesting PC demand may be slipping. **McDonald's** reported strong July sales gains on strength in beverages and Asia. **Macy's** posted strong earnings and raised its forecast citing strength from higher end consumers. **Nordstrom** reported an in-line quarter and reiterated its 2010 forecast though its shares fell as investors were hoping for more. **Advanced Auto Parts** reported a solid quarter on strong demand and improved gross margins. **Netflix** gained on a distribution agreement with a major Hollywood studio. **Fossil** handily beat earnings estimates on strong global demand for its watches. **Eli Lilly** cut its 2010 revenue goals following an unfavorable patent ruling on Strattera. **General Motors** posted its largest quarterly profit in six years and announced CEO Whitacre will step down. An IPO filing is expected in the coming days. Looking ahead, the coming week brings a handful of retail earnings reports along with several economic reports worth watching. Investors will be looking for signs that recent growth fears are overblown and the consumer remains on track. At current valuations, equities appear attractive relative to other asset classes.