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For The Week Ended August 27, 2010
Weekly Market Commentary & Developments

US Economy and Credit Markets:

Yields and Weekly Changes:

3 Mo. T-Bill	0.14 (-01 bps)	**GNMA (30 Yr) 6% Coupon:**	108-27/32 (1.23%)
6 Mo. T-Bill	0.18 (unch)	**Duration:**	3.12 years
1 Yr. T-Bill	0.25 (+02 bps)	**30-Year Insured Revs**:	181.8% of 30 Yr. T-Bond
2 Yr. T-Note	0.55 (+07 bps)	**Bond Buyer 40 Yield**:	4.87% (-04 bps)
3 Yr. T-Note	0.82 (+05 bps)	**Crude Oil Futures**:	75.44 (+1.98)
5 Yr. T-Note	1.49 (+04 bps)	**Gold Futures**:	1236.00 (+8.30)
10 Yr. T-Note	2.63 (+02 bps)	**Merrill Lynch High Yield Indices:**	
30 Yr. T-Bond	3.68 (+03 bps)	**BB, 7-10 Yr.:**	6.94% (+02 bps)
		B, 7-10 Yr.:	8.62% (+06 bps)

Treasury prices were slightly lower for the week as weak economic news led to generally strong auction demand. Prices continued their recent upward movement Monday, pushing yields to their lowest levels since March 2009. A 27.2% decline in existing home sales in July helped drive prices higher Tuesday. Prices were lower Wednesday, as a five-year note auction saw lower demand despite weaker than expected durable goods orders. Demand at Thursday's auction saw Treasury prices increase even though unemployment claims fell more sharply than expected. Prices were lower Friday after Fed chairman Ben Bernanke diminished speculation that the Fed would step up its purchase of debt. Major economic reports (and related consensus forecasts) for next week include: Monday: July Personal Income (+0.3%) and Personal Spending (+0.3%); Tuesday: August Chicago Purchasing Manager (57.0) and Minutes of FOMC Meeting released; Wednesday: August ISM Manufacturing (52.8, Prices Paid 55.3) and August Total Vehicle Sales (11.55 million); Thursday: 2Q Final Nonfarm Productivity (-1.9%) and Unit Labor Costs (+1.2%), Initial Jobless Claims (475,000), and July Factory Orders (+0.4%); and Friday: August Employment Report, including Change in Nonfarm Payrolls (-100,000), Unemployment Rate (9.6%), Avg. Hourly Earnings (+0.1%), and Avg. Weekly Hours (34.2), and August ISM Non-Manufacturing Composite (53.2).

US Stocks:

Weekly Index Performance

DJIA	10150.65 (-62.97,-0.6%)
S&P 500	1064.59 (-7.10,-0.7%)
S&P MidCap	734.30 (-2.22,-0.3%)
S&P Small Cap	330.22 (+3.25,+1.0%)
NASDAQ Comp	2153.63 (-26.13,-1.2%)
Russell 2000	616.76 (+5.98,+1.0%)

Market Indicators

Strong Sectors: Utilities, Telecomm, Energy
Weak Sectors: Technology, Industrials, Discretionary
NYSE Advance/Decline: 1,642 / 1,499
NYSE New Highs/New Lows: 335 / 245
AAII Bulls/Bears: 20.7% / 49.51%

U.S. stocks were mixed last week amid volatile trading. As was the case the prior week, small caps eked out a small gain while large caps fell modestly. Equities were boosted Friday by Bernanke's comments that conditions remain conducive for economic growth in 2011 and 2Q GDP that was revised down though not as far as many had forecast. The week's other economic data generally pointed toward challenging conditions. Reports showed homes sales, both existing and new construction, plummeted in July following the end of the home buyer tax credit while durable goods also disappointed. Jobless claims fell for the first time in four weeks. M&A activity remained in the spotlight throughout the week as **Dell** and **Hewlett-Packard** continued to bid **3PAR** higher. The week ended with Hewlett-Packard offering $30/share, 67% above Dell's initial offer. In other M&A news, **Potash** formally rejected **BHP Billiton's** acquisition proposal. In earnings related news, **Medtronic** shared tumbled following weak earnings blamed on soft demand and intense competition. Despite the dismal home sales data, **Toll Brothers** gained following its first quarterly profit in three years. **American Eagle Outfitters** gained despite posting below consensus revenues on markdowns to clear inventory and guiding Q3 lower. The company announced plans to close 100 underperforming stores. **Guess?** shares sank despite strong earnings due to cautious forward looking statements. **Intel** took down its revenue guidance for the current quarter. Looking ahead, economic data will be the focus of the coming week with reports due on consumer confidence and manufacturing activity leading to Friday's August payrolls report. Equities appear oversold at current levels and could be due for a bounce as valuations are attractive relative to other assets classes.