US Economy and Credit Markets

Yields and Weekly Changes:

3 Mo. T-Bill:	0.02 (+02 bps)	GNMA (30 Yr) 6% Coupon:	111-15/32 (1.61%)
6 Mo. T-Bill:	0.05 (+04 bps)	Duration:	3.45 years
1 Yr. T-Bill:	0.11 (+02 bps)	30-Year Insured Revs:	222.0% of 30 Yr. T-Bond
2 Yr. T-Note:	0.24 (+03 bps)	Bond Buyer 40 Yield:	4.92% (+05bps)
3 Yr. T-Note:	0.40 (+03 bps)	Crude Oil Futures:	78.77 (-1.08)
5 Yr. T-Note:	0.95 (+08 bps)	Gold Futures:	1621.20 (-1637.70)
10 Yr. T-Note:	1.91 (+08 bps)	Merrill Lynch High Yield Indices:	
30 Yr. T-Bond:	2.91 (+01 bps)	BB, 7-10 Yr.:	7.48% (+29 bps)
		B, 7-10 Yr.:	9.22% (+41 bps)

Treasuries fell modestly off from record highs this week as fears over the European debt crisis eased. Prices were lower Monday on better sentiment from Europe while new home sales were lower than expected month over month and the Dallas Fed Manufacturing Index fell to -14.4 versus the anticipated -8.0. Yields were higher again Tuesday as the passage of a new Greek property tax furthered hopes that solutions may be on the horizon. Prices were virtually unchanged Wednesday as the auction of five-year notes drew strong demand and durable goods orders fell 0.1% versus expectations of -0.2%. Treasuries were relatively unchanged again on Thursday as QoQ GDP was revised up to 1.3% which was above predictions of 1.2%. Initial jobless claims also dropped below projections of 420,000 to 391,000. Prices were higher on the long end Friday as the Federal Reserve announced more details about Operation Twist. Major economic reports (and related consensus forecasts) for next week include: Monday: August Construction Spending (-0.2%), September ISM Manufacturing Index (50.3) and September Vehicle Sales – Annualized (12.6M Total, 9.8 Domestic); Tuesday: August Factory Orders (0.0%); Thursday: Initial Jobless Claims (410,000); Friday: September Change in Nonfarm Payrolls (50,000), September Change in Private Payrolls (90,000) and September Unemployment Rate (9.1%), August Wholesale Inventories (0.60%) and August Consumer Credit ($7.5B).

US Stocks

Weekly Index Performance:

DJIA:	10913.38 (+141.90,+1.3%)
S&P 500:	1131.42 (-5.01,-0.4%)
S&P MidCap:	781.26 (-13.17,-1.7%)
S&P Small Cap:	355.39 (-2.50,-0.7%)
NASDAQ Comp:	2415.4 (-67.83,-2.7%)
Russell 2000:	644.16 (-8.27,-1.3%)

Market Indicators:

Strong Sectors:	Telecom, Financials, Health Care
Weak Sectors:	Materials, Cons Disc, Info Tech
NYSE Advance/Decline:	1,465/ 1,702
NYSE New Highs/New Lows:	55/ 445
AAII Bulls/Bears:	32.5% / 46.8%

Last week U.S. stocks finished a see-saw week down, as sentiment out of Europe continued to drive stocks globally. Stocks rose earlier in the week amid speculation that the ECB will restart covered-bond purchases and that Greece will fulfill requirements to receive additional aid. Stocks then fell on Wednesday as European leaders were at odds on how to handle Greece's debt crisis. On Thursday, stocks rose as Germany's lower house of parliament voted for the expansion of the European bailout fund but fell on Friday due to higher than expected euro zone inflation and a sluggish German retail sales number. A weak Chinese manufacturing reading also drove stocks down on Friday. Turning to U.S. news, economic data was mixed for the week as durable goods orders were down slightly, while initial jobless claims declined to 391K versus estimates of 420K. In stock news, **Berkshire Hathaway** gained almost 6.5% as Warren Buffet initiated a stock buyback of up to 1.1x book value. **Ford** stock fell for the week in spite of reiterating its intent to add 7,000 new U.S. jobs. **Amazon** also fell for the week despite unveiling its Kindle Fire, which is viewed as the first real competition to the iPad. In addition, **Netflix** dropped on the announcement of the Kindle Fire as Amazon Prime subscribers will be able to watch streaming content through the new Kindle. **Thor Industries**, maker of recreation vehicles sold in the U.S., jumped over 10% as earnings beat expectations. Looking ahead, investor sentiment toward the continuing sovereign debt issues and the ECB's comments on interest rates on Thursday will likely be the key catalysts of equity prices in the coming week. For those with a longer term horizon, valuations seem compelling as the 3rd quarter was the largest sell-off since 2008 as investors sold risk.