

## Market Review

### The Week in Review

#### Economic Releases for the Week Ended 8/28/09

	**Consensus	Actual	Prior Period
July Durable Goods Orders	2.50%	4.90%	-2.50%
July New Home Sales	1.6%	9.6%	9.1%
July Personal Spending	0.2%	0.2%	0.6%

Stronger economic data, particularly durable goods and housing, helped financial markets continue a slow grind towards a "new normal". Global equity markets rose with the U.S. S&P 500 inching 0.27% higher for the week. The S&P has risen approximately 52% from the March lows and is 13.91% higher year-to-date. Bond markets were relatively unchanged during the week on lighter trading activity. Credit spreads were slightly tighter and the yield on the benchmark U.S. Treasury fell 12 basis points.

On the economic front, July durable goods orders were lifted by an upswing in aircraft and auto orders giving support to the argument that the recession has bottomed out and a recovery has begun. Orders for durables jumped 4.9%, no doubt helped by the Cash for Clunkers program, and beat expectations for an increase of 2.5%. Excluding the volatile transportation sector, orders rose 0.8%. Housing data also continued to improve. The Case-Schiller index registered another month-over-month increase (although prices are still -15.4% lower in the 20-city composite year-over-year), while new home sales surged 9.6%. The Case-Schiller index has now improved two consecutive months and new home sales have risen for four straight months. Personal incomes were flat in July (-2.4% year-over-year), while spending met expectations and rose 0.2%. The Cash for Clunkers program, once again, was the main driver for the slight uptick in consumer spending. Year-over-year, consumer spending has increased 1.1%.

### The Week Ahead

#### Economic Releases for the Week Ended 9/04/09

	**Consensus	Prior Period
Aug Non-Mfg ISM	48.8	46.4
Aug Non-Farm Payrolls	-200k	-247k
Aug Unemployment Rate	9.4%	9.6%

The week ahead will be very busy with economic releases, including the most recent employment figures and ISM indices. Economists expect that the economy lost another 200,000 jobs in August, representing the 20<sup>th</sup> consecutive month with a contraction in employment. The month of July saw 247,000 people lose their jobs, which was the smallest contraction since August of 2008, when the economy lost 175,000 workers. The unemployment rate is expected to increase from 9.4% to 9.6% driven by an increase in the labor force. Going forward, as initial jobless claims continue to slowly drift lower, job losses should also follow the same trend. The ISM indices are expected to climb towards the break-even level of 50. The non-manufacturing index is expected to rise from 46.4 to 48.8, while the manufacturing index should rise from 48.9 to 50.0. A reading of 48.8 in the non-manufacturing index would be the highest since September of 2008, but would still represent a small contraction in the service sector. A reading of 50.0 in the manufacturing index would signal that the recession in manufacturing may soon be over. Finally, the minutes from the most recent Federal Open Market Committee meeting will also be released this week. Investors will analyze the announcement for any indication on the Fed's take on the direction of the economy and their exit from liquidity programs.

World Bond Rates	8/28/09	1-Wk Chg	4-Wk Chg	YTD
US 10y	3.45%	-0.12%	-0.03%	1.23%
GBR 10y	3.56%	-0.09%	-0.25%	0.55%
GER 10y	3.25%	-0.06%	-0.05%	0.29%
CAN 10y	3.40%	-0.08%	-0.06%	0.72%
JAP 10y	1.32%	0.00%	-0.10%	0.14%

Central Bank Rates	8/28/09	6/30/09	3/31/09	12/31/08
US Fed Funds	0.25	0.25	0.25	0.25
UK Bank Rate	0.50	0.50	0.50	2.00
GER Base Rate	1.00	1.00	1.50	2.50
CAN Bank Rate	0.25	0.25	0.50	1.50
JAP Disc Rate	0.10	0.10	0.10	0.10
3 Mo-LIBOR	0.35	0.56	1.19	1.41

Risk Premiums	8/28/09	1-Wk Chg	4-Wk Chg	YTD
*CDX (bps)	115	1	4	-44
*30 Day T-Yld Vol.	129.1	-3.2	-9.4	-60.9
VIX	24.76%	-0.25%	-1.16%	-15.24%

Currencies	8/28/09	1-Wk Chg	4-Wk Chg	YTD
USD/EUR	1.43	0.00	0.00	0.03
USD/CAN	0.92	-0.01	-0.01	0.10
JPY/USD	93.60	-0.78	-1.08	2.96

Commodities	8/28/09	1-Wk Chg	4-Wk Chg	YTD
Gold (oz.)	\$957.50	\$4.30	\$3.80	\$73.20
Oil (barrel)	\$72.74	-\$1.15	\$3.29	\$28.14
Wholesale Gasoline (gal)	\$2.06	\$0.07	\$0.02	\$1.05
Natural Gas (mcf)	\$3.03	\$0.23	-\$0.62	-\$2.59

Equity Markets	8/28/09	1-Wk Chg	4-Wk Chg	YTD
S&P 500	1028.93	0.27%	4.20%	13.91%
FTSE 100	4908.9	1.20%	6.52%	10.71%
DAX	5517.35	1.00%	3.47%	14.70%
S&P/TSX Comp	10977.97	1.36%	1.77%	22.14%
NIKKEI	10534.14	2.89%	1.71%	18.90%

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\* DJ CDX.NA.IG.10 5Yr; 30 Day Avg. 1-month TSY Yield Volatility

\*\* www.bloomberg.com