

Market Review

The Week in Review

Economic Releases for the Week Ended 10/09/09

	**Consensus	Actual	Prior Period
Sept. Non-Mfg. ISM	50.0	50.9	48.4
Aug. Consumer Credit	\$-8.5B	\$-12.0B	\$-19.0B
Aug. Trade Balance	\$-33.0B	\$-30.7B	\$-32.0B

Rising stock and commodity prices and the falling U.S. dollar were the focus of investors last week. Equity markets around the world moved higher, including the U.S. S&P 500 which rose 4.51%. The S&P is now up 18.63% for the year. The falling U.S. dollar, which dropped to its lowest level since August 2008, drove commodity prices higher. Gold rose to a new record high and finished the week at \$1,048/ounce, while the price of a barrel of oil rose \$1.82 to \$71.77. Yields on U.S. Treasuries also jumped, with the yield on the benchmark ten-year rising 16 basis points to end the week at 3.38%.

Economic releases were mixed. On a positive note, the non-manufacturing ISM index climbed from 48.4 to 50.9 in September, finally piercing the breakeven level of 50.0. The significance of topping the breakeven mark indicates that businesses are experiencing month-over-month gains, rather than contractions. The index is also showing a nice upward trend, having risen in eight of the previous eleven months after reaching a low of 37.3 in November of 2008. On the negative side, consumers continue to borrow less, as indicated by another significant drop in consumer credit in August. Credit dropped by another \$12.0 billion in August after contracting by \$19.0 billion in July. The huge decline signals that consumers are borrowing, and therefore spending, less, which will continue to be a headwind for growth going forward. The sluggish economy led to a shrinking of the U.S. trade deficit. The U.S. had to import fewer oil and goods products during the month, driving the deficit from \$-32.0 billion to \$-30.7 billion.

The Week Ahead

Economic Releases for the Week Ended 10/16/09

	**Consensus	Prior Period
Sept. Retail Sales	-2.1%	2.7%
Sept. CPI	0.1%	0.4%
Sept. Industrial Production	0.2%	0.8%

The holiday-shortened economic week will be highlighted by the September retail sales numbers, which will be released on Wednesday, October 14. Higher gasoline prices and the cash-for-clunkers program led to higher retail sales figures in August, but the increase is not expected to continue in September, as sales are expected to fall -2.1% month-over-month. Excluding autos, retail sales are expected to rise just 0.2%. Also on Wednesday, the Federal Open Market Committee (FOMC) will release the minutes from the September meeting. The minutes are expected to relay the discussion of the completion of the mortgage-related purchase program. Investors will also be looking for any indication to the extent and timing of any future changes in monetary policies. On the inflation front, the headline consumer price index (CPI) is expected to rise 0.1% month-over-month (-1.4% year-over-year) primarily driven by higher energy costs. Core CPI, excluding food and energy, is also expected to climb 0.1% (1.4% year-over-year). The end of the week will provide investors with the latest news on industrial production and capacity utilization. Industrial production is expected to climb 0.1% while expectations for capacity utilization are at 69.7%. Finally, the University of Michigan confidence index is expected to rise slightly from 73.5 to 74.0.

World Bond Rates

	10/09/09	1-Wk Chg	4-Wk Chg	YTD
US 10y	3.38%	0.16%	0.03%	1.17%
GBR 10y	3.45%	0.01%	-0.16%	0.44%
GER 10y	3.20%	0.08%	-0.03%	0.25%
CAN 10y	3.51%	0.25%	0.19%	0.83%
JAP 10y	1.29%	0.03%	-0.02%	0.12%

Central Bank Rates

	10/09/09	12/31/08	9/30/08	6/30/08
US Fed Funds	0.25	0.25	0.25	0.25
UK Bank Rate	0.50	0.50	0.50	0.50
GER Base Rate	1.00	1.00	1.00	1.50
CAN Bank Rate	0.25	0.25	0.25	0.50
JAP Disc Rate	0.10	0.10	0.10	0.10
3 Mo-LIBOR	0.28	0.28	0.56	1.19

Risk Premiums

	10/09/09	1-Wk Chg	4-Wk Chg	YTD
*CDX (bps)	111	-6	0	-48
*30 Day T-Yld Vol.	114.7	6.9	0.0	-75.3
VIX	23.12%	-5.56%	-1.03%	-16.88%

Currencies

	10/09/09	1-Wk Chg	4-Wk Chg	YTD
USD/EUR	1.47	0.02	0.02	0.08
USD/CAN	0.96	0.03	0.03	0.14
JPY/USD	89.78	-0.03	-0.93	-0.86

Commodities

	10/09/09	1-Wk Chg	4-Wk Chg	YTD
Gold (oz.)	\$1,047.80	\$44.60	\$42.60	\$163.50
Oil (barrel)	\$71.77	\$1.82	\$2.48	\$27.17
Wholesale Gasoline (gal)	\$1.77	\$0.03	\$0.01	\$0.76
Natural Gas (mcf)	\$4.77	\$0.05	\$1.81	-\$0.85

Equity Markets

	10/09/09	1-Wk Chg	4-Wk Chg	YTD
S&P 500	1,071.49	4.51%	2.76%	18.63%
FTSE 100	5,161.87	3.47%	3.00%	16.41%
DAX	5,711.88	4.46%	1.56%	18.75%
S&P/TSX Comp	11,436.92	4.37%	1.63%	27.25%
NIKKEI	10,016.39	2.92%	-4.10%	13.06%