



MARKET WEEK
August 6, 2007

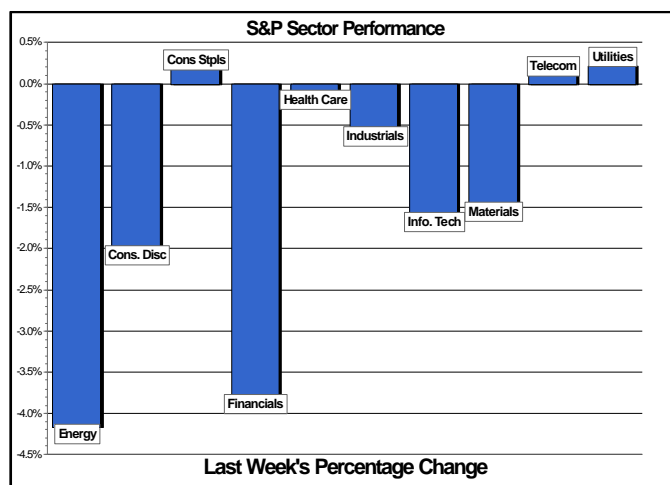
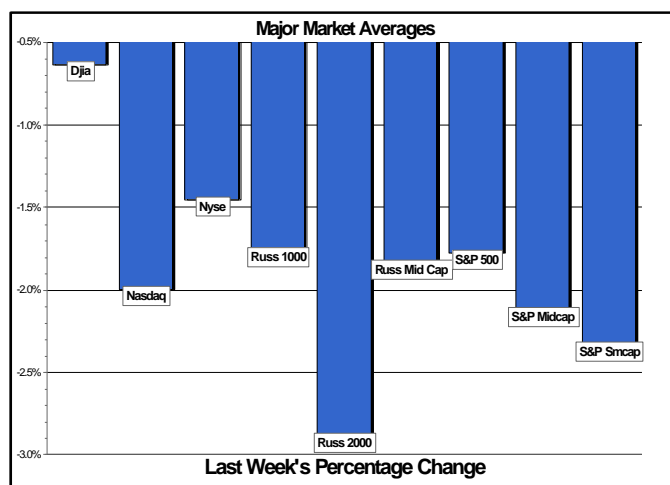
Alexander P. Paris, CFA
(312) 634-6359
app@brai.com

Credit Concerns Still Dominating

Stocks made a valiant effort in trying to reverse the heavy sell-off of the previous week in what was an extremely volatile week with every day but one (+92 points) showing a triple-digit change in the DJIA and three of the four days higher. But in the end, the 281-point Friday plunge in the DJIA pushed the market to its second week in a row of steep losses. Driving the market was the continuing barrage of new credit-related events that are adding to growing fears that credit markets are seizing up to the extent that they will spill over into economic growth. Last week, American Home Mortgage Investment was the latest large mortgage lender to unravel, getting out of the residential mortgage lending business and laying off all but 750 of its 7,000 employees. Troubles continued to mount at others like Accredited Home Lenders Holding Company who expressed concern that its sale was in jeopardy and bankruptcy a possibility. S&P reduced its rating on Bear Stearns, where a third hedge fund is now in trouble, and still another large hedge fund announced serious trouble. Another financing to support a significant leveraged buyout was cancelled last week and, according to the DJ Newswire, 46 leveraged financing deals worth over \$60 billion have been cancelled since the end of June. All these events have not only led to a sharp price decline for Bear Stearns stock price but for those of most other major brokerage stocks as well who are considered by many as leading indicators for the market.

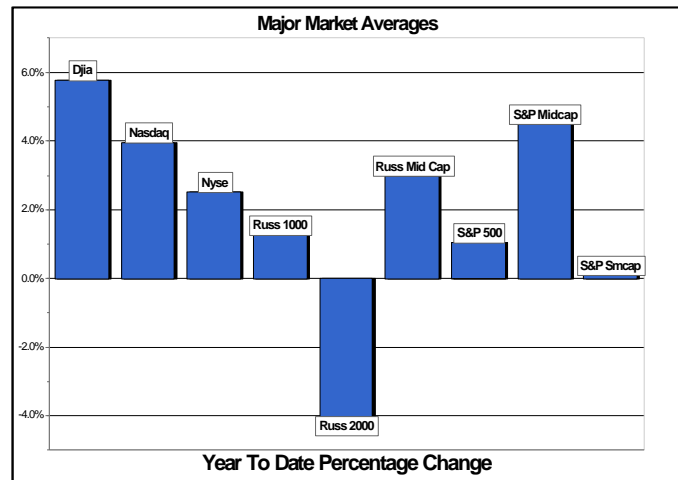
As another indication that these credit concerns are negatively impacting investors' sentiment on the economy, the worse-than-expected government job report clearly added to the big Friday sell off.

Despite a couple of good rallies on positive second quarter earnings reports, which are generally running modestly better than expected, and some bargain-hunting, the Tuesday and especially the Friday market collapse were enough to push all market averages down for the second week. Even with the 281-point Friday plunge, however, the DJIA (-0.63%) held up fairly well for the week helped by better relative performance for international mega-stocks. The S&P 500 (-1.77%), Nasdaq (-1.96%) and Wilshire 5000 (-1.89%), the broadest measure, were all substantially weaker. In what one writer is calling the *stealth bear market*, the small and mid-cap averages were even weaker with the Russell 2000 (-2.88%) and Wilshire Small-Cap average (-3.38%) now down for the full year to date, -4.1% and -2.5%, respectively.

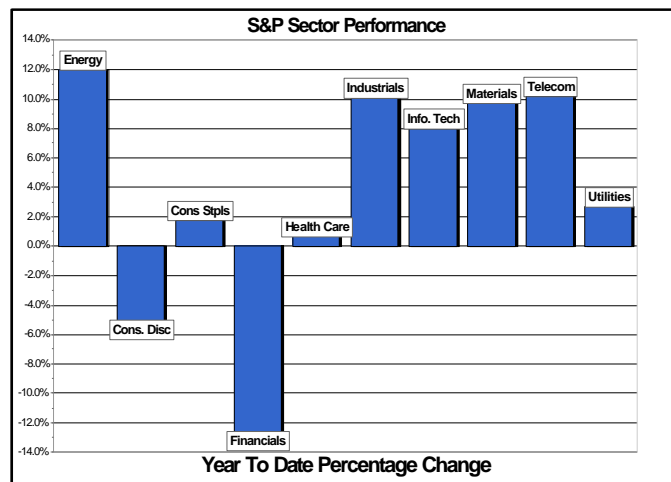


The S&P Small-Cap average is also only barely up (+0.12%). As mentioned in previous comments, these stocks have been under relative pressure in an environment where large international companies are being favored for their presumed greater safety, ability to benefit from the falling dollar and stronger overseas economic growth, and better access to financing in a tightening, more risk-averse environment.

The heavy and mostly disappointing economics calendar last week certainly did not help a market where investors have been getting more concerned about the economy. Aside from the weaker-than-expected job report and uptick in the unemployment rate, three manufacturing sector reports were all weaker than expected, July auto sales hit a new low for the year with the Big Three market share falling below 50% for the first time ever, the ISM non-manufacturing index was down more than anticipated, semiconductor orders were off and there was more bad news on housing construction and home prices.



If there were any doubts about investors' growing concerns about the potential negative impact of recent credit developments on the economy, last week's relative sector performance may erase them. While defensive sectors may not have been fulfilling their usual role in market weakness since early June, they stepped into it very well last week. The only three sectors to show at least a modest gain---consumer staples (+0.2%), utilities (+0.2%) and telecom services (+0.1%), are all defensive in nature while the fourth, health care (-0.1%), was the fourth best performer. Aside from being less sensitive to economic activity, utilities are also very credit sensitive. So the fact that the sector was up while the financial sector (-3.8%) was again among the worst performers, tells us the relative strength in utilities last week was most likely due to its relative insensitivity to the economy. In contrast, investors were even worried enough that that they felt lower economic growth could hurt oil prices and the S&P energy sector index was the worst performer with a 4.2% decline. All other cyclicals were also weak, though the industrial sector held up much better than the market. With U.S. manufacturing momentum slowing in July, however, those industrial stocks without good international exposure could be vulnerable in the short term. Materials (-1.5%) and technology (-1.6%) managed to outperform the S&P 500 (-1.77%) but not by much. The consumer discretionary sector (-2.0%), hurt by relative weakness in housing related, retailers and media, was one of the worst performing cyclical sectors again. The financial sector, down 12.7% for the year, is continuing to bear the brunt of the worsening credit trends.



The Week Ahead: Fed in the Spotlight

With the economic news very sparse, as discussed below, and the earnings season winding down, most of the attention will be focused on the Fed FOMC meeting announcement on Tuesday. While nobody is expecting a change in interest rates, some Fed Watchers are looking for a change in the accompanying policy statement to reflect an admission that economic risk has been increased by recent credit developments, especially since the Fed has been behind the housing correction curve from the beginning. Investors would like to see at least a more balanced view even if the Fed keeps inflation the primary target. The Fed will have to be very careful about the market reaction particularly with investors' recent increased concern about the economy. A statement indicating greater economic risk could simply confirm investor fears about the economy while an easier stance could spark a short-term rally setting

things up for a bigger correction later and could put additional downward pressure on the dollar. Though it may be difficult, simply remaining on hold is likely the best Fed policy.

As for the coming market week, it is difficult to predict any kind of meaningful rebound short of a much easier statement from the Fed. Investors tried to turn the market around during the week but failed when the market turned sharply lower on Friday, closing on the lows, enough for any technician to expect a downside follow-through on Monday. Technicians will also take note that the S&P 500 took out support areas last week. As noted elsewhere, there will be little in the way of economic news to deflect fears about a spillover of credit problems to the broad economy. Reaction to the one probably positive report on productivity will be dulled as investors wait for the Fed news on Tuesday. Market responses to new takeover announcements will also be more muted because of the growing problem of financing them.

As for earnings, 33 S&P 500 stocks will report next week but the overall results for the second quarter have already been largely locked in, better than expected but still only single-digit growth. So far, 408 S&P 500 companies have reported with 66 beating estimates, about average, and year-over-year growth has increased to 7% up from 5.8% in the previous week and 4.2% at the start of the season. That's not bad but also not very inspiring with third quarter economic growth likely slower than the second quarter.

Whether they are right or not, and we believe the risk of recession is very small, investors have some reason to be concerned about the economy. As we've warned in the past, with the U.S. economy growing at a low sub-potential rate, it is vulnerable to shocks. We noted in other recent comments that investors have been looking over the economic valley long enough that they would need to see some evidence of an economic rebound soon to keep the faith. We see no such evidence immediately ahead while the recent credit news and stock market weakness is chipping away at their confidence. The biggest problem for the stock market near term, however, is the fact that the global financial environment has changed (See our July 27 Monthly Economic Review, *Has the Financial World Changed?*) and investors have to finish adjusting to the change. The likely environment is not necessarily bearish, only different.

Economic News: News Void

In contrast to recent weeks, the economics news calendar will be extremely light in the week ahead with the initial estimate for second quarter productivity and unit labor costs the only slightly higher profile general report. There are no manufacturing sector reports or scheduled housing news and all of the key employment reports were released last week. Even in the consumer sector, the only report of note will be the July release on retail chain store sales and that will not be very exciting.

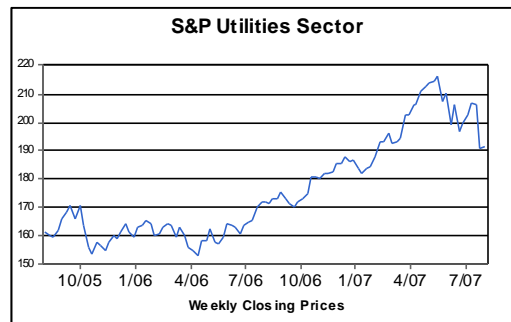
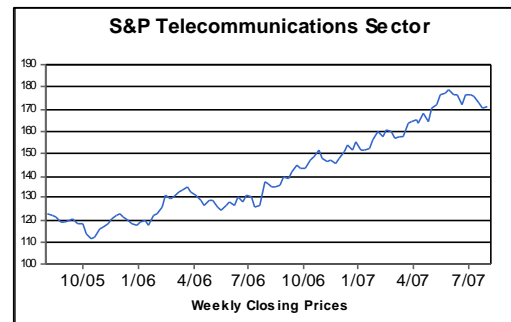
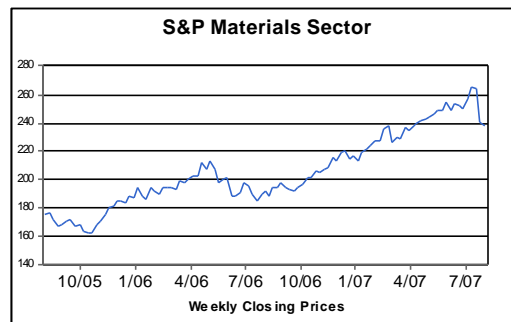
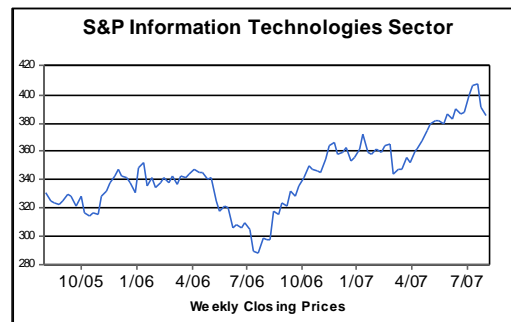
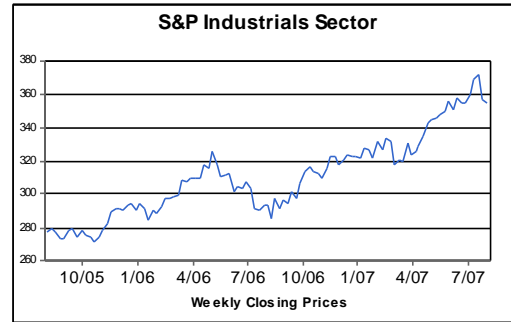
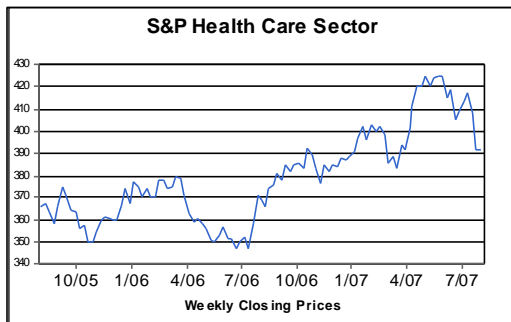
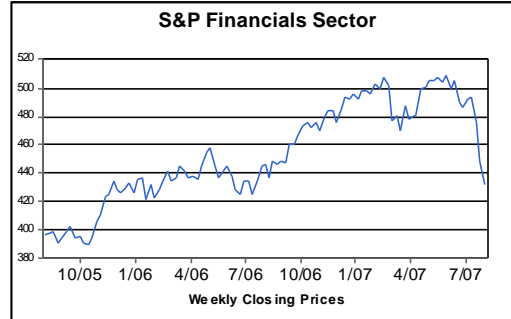
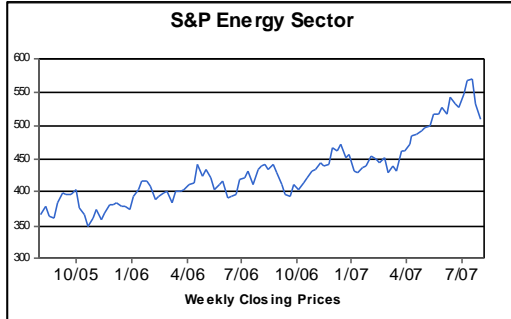
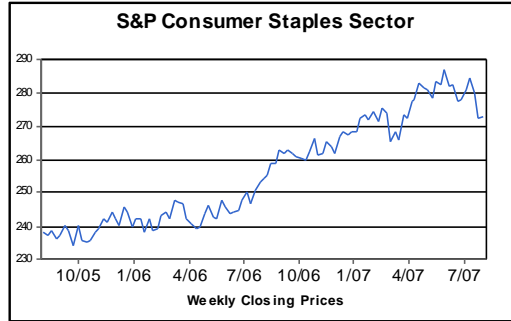
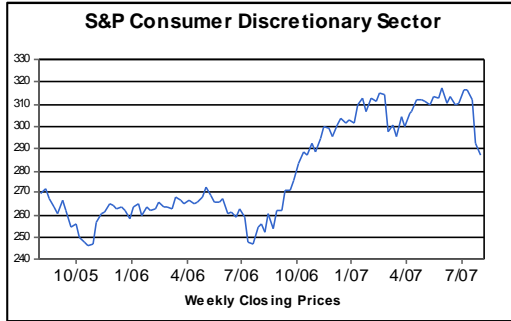
Productivity/Costs: With the second quarter GDP rebounding from the very soft 0.6% first quarter pace, it is a good bet that Tuesday's productivity report will also show an improvement. But that betting is only a 2.1% increase from 1.0% in the first quarter. The annual rate of output will be up over 4% but hours worked will be more than 2%. Because the rate of employee compensation was also up close to 6%, unit labor costs won't show that much improvement, probably rising at 1.6% compared to 1.8% in the prior quarter. Whatever the initial market reaction to the news, it is likely to be offset quickly as investors start anticipating the results of the Fed's meeting later the same day.

Import prices: Friday's report should show another 1.0% increase for July, the same as in June and the fifth month in a row that prices were up 1.0% or more. They are also running over 2% on a year-over-year basis with or without energy. While investors don't usually pay much attention to this report, the steady rise in import prices eventually will put upward pressure on inflation and on the dollar which has been declining at a 5.3% rate over the past year on a trade-weighted basis, including a 1.3% drop in July. **Wholesale inventories**, also a low level report in terms of investor interest, are expected to show a 0.4% June increase in Wednesday's report, down modestly from the 0.5% May increase.

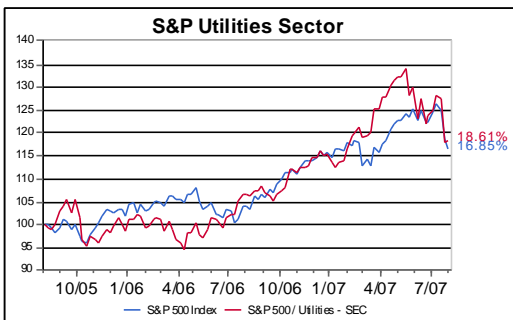
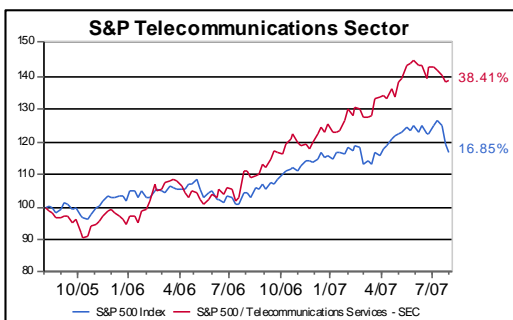
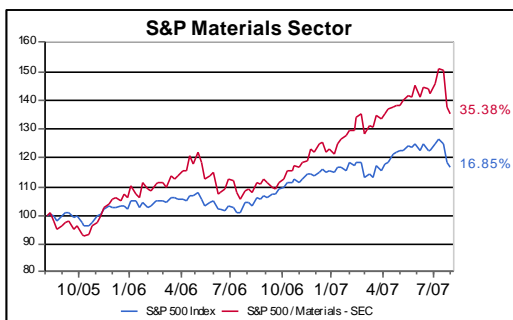
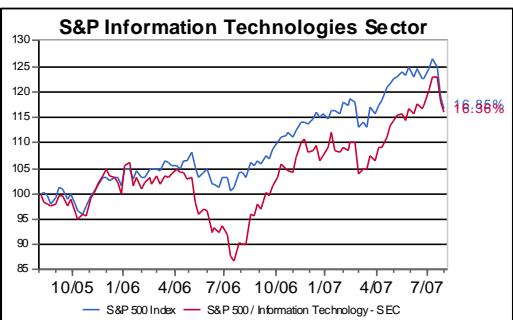
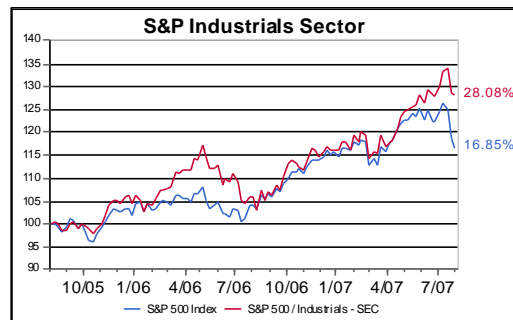
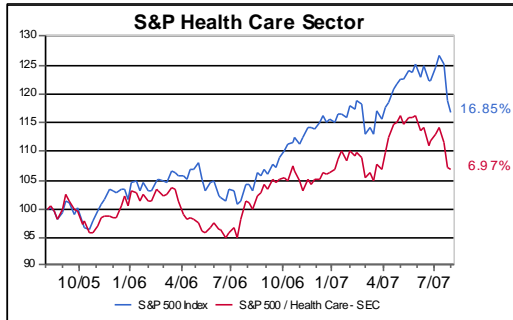
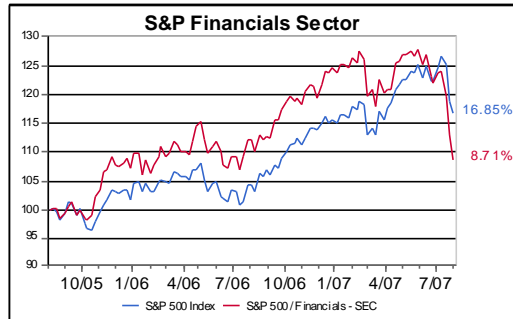
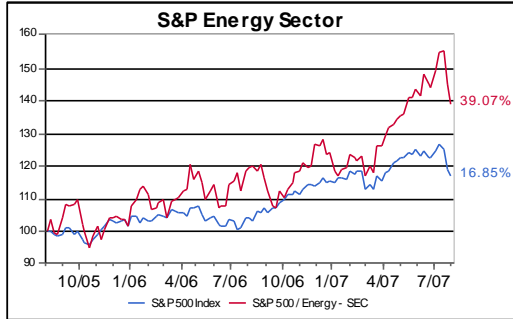
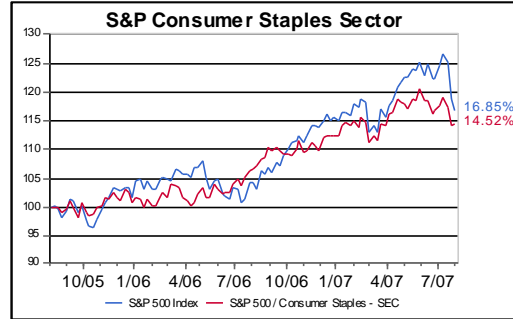
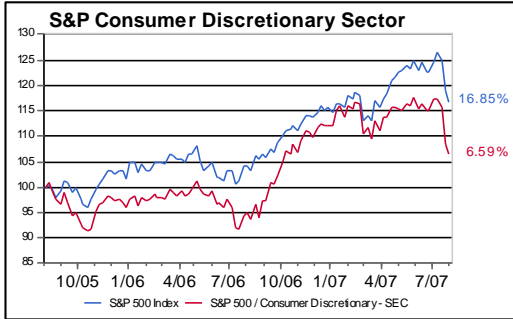
Consumer Sector news: The rest of the sparse economic news for the week relate to the consumer with the July report on **retail chain store sales** heading the list. The weekly sales last week showed a surprisingly good 1.1% sequential increase from the previous week with the cooler weather reportedly helping back-to-school spending. It was enough to prompt the ICSC to modestly increase its forecast for July's year-over-year increase in comparable sales to 3% or a little higher from its previous estimate of 3% and an earlier range of 2.5% to 3%. That would still be up only modestly from a very depressed 2.4% June increase. Sales could be erratic over the rest of the summer with over a dozen states again

implementing brief tax holidays between last Thursday and Saturday, weather changes and the back-to-school spending. Overall, however, falling home prices, more stringent lending standards, heavy debt, high gasoline prices, low savings and the recent weak stock market will tend to partially offset the positives from continued job growth and higher wages with resulting sluggish spending growth. **Consumer installment debt**, reported on Tuesday, will show a substantially smaller increase in June debt following the big 12.9% jump in May, probably no better than a \$6 billion increase. Weekly **mortgage applications** could show an uptick from the recent declining trend because of lower mortgage rates but will do little to assuage housing-related credit fears.

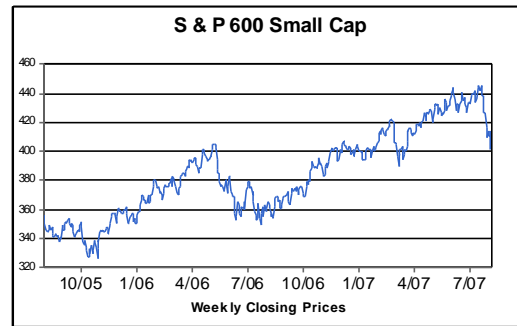
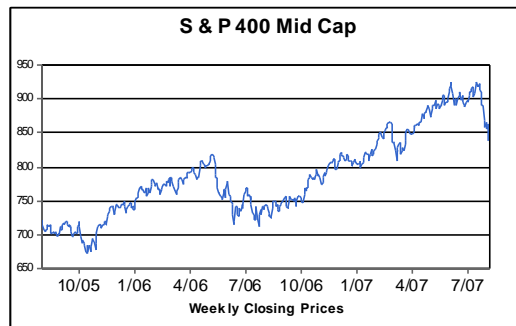
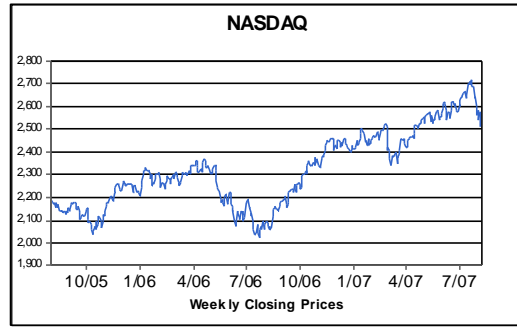
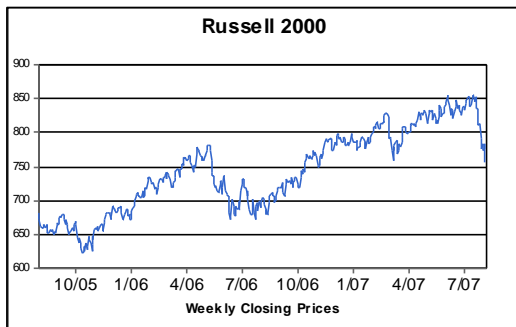
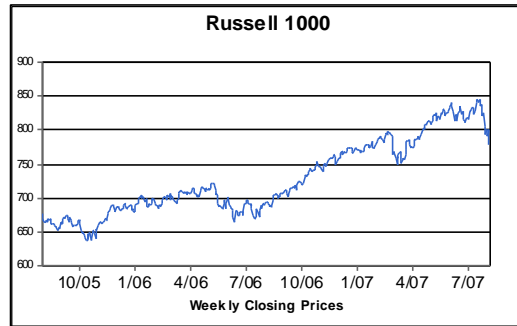
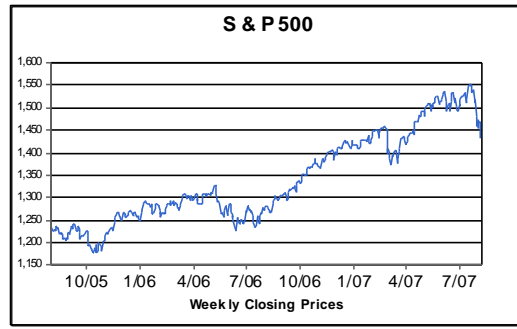
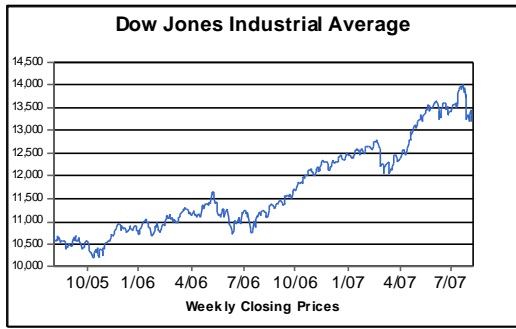
S&P Sector Performance



S&P Sector Relative Performance vs. S&P 500 Index



Major Market Averages



S&P Sectors and Industries	P E R F O R M A N C E						
	LAST WK	MTD	QTD	YTD	2006	2005	2004
5-Aug-07							
Energy	-4.2	-4.3	-3.7	12.0	22.2	29.1	28.8
Energy	-4.2	-4.3	-3.7	12.0	22.2	29.1	28.8
Energy Equipment & Services	-6.2	-6.7	-2.0	24.8	11.8	49.0	34.2
Oil & Gas Drilling	-7.8	-6.5	-6.4	17.4	3.1	53.1	45.1
Oil & Gas Equipment & Services	-5.7	-6.7	-0.6	27.2	14.8	47.3	30.3
Oil Gas & Consumable Fuels	-3.7	-3.7	-4.1	9.3	24.7	25.3	27.9
Oil & Gas Exploration & Production	0.7	0.1	-4.0	15.4	4.0	65.2	33.4
Oil & Gas Storage & Transportation	1.0	-0.8	-1.5	4.8	16.6	-	-
Integrated Oil & Gas	-4.3	-4.2	-3.2	8.4	31.9	15.1	25.6
Oil & Gas Refining & Marketing	-7.5	-7.2	-17.1	17.1	-5.7	77.3	61.5
Materials	-1.5	-2.8	-5.0	9.7	15.7	2.2	10.8
Materials	-1.5	-2.8	-5.0	9.7	15.7	2.2	10.8
Chemicals	0.5	-0.9	-2.1	9.8	13.5	-3.0	16.5
Diversified Chemicals	0.2	-1.0	-4.6	2.9	7.1	-12.5	12.6
Fertilizers & Agricultural Chemicals	1.0	-0.6	-5.1	22.0	35.5	39.6	93.0
Industrial Gases	-0.1	-1.5	5.3	24.5	14.9	11.4	12.7
Specialty Chemicals	2.0	0.3	1.7	5.0	20.6	2.1	13.4
Construction Materials	-1.9	-2.0	-18.1	4.3	32.6	24.1	14.8
Construction Materials	-1.9	-2.0	-18.1	4.3	32.6	24.1	14.8
Containers & Packaging	-5.3	-5.0	-11.1	-4.1	19.4	2.0	14.4
Metal & Glass Containers	-4.0	-3.7	-6.0	-1.1	32.2	-11.0	25.7
Paper Packaging	-6.2	-5.9	-14.4	-6.1	11.9	11.7	6.9
Metals & Mining	-2.7	-4.6	-4.9	16.3	23.6	17.2	0.4
Aluminum	-3.3	-5.3	-10.7	20.6	1.5	-5.9	-17.3
Diversified Metals & Mining	-4.2	-8.3	4.0	50.9	44.6	48.8	9.7
Gold	0.2	-2.0	4.7	-9.4	-15.4	20.2	-8.6
Steel	-2.3	-1.9	-10.9	7.0	75.8	20.7	58.1
Paper & Forest Products	-5.7	-6.0	-13.0	-0.6	2.6	-4.7	7.4
Forest Products	-7.5	-6.5	-15.6	-5.7	2.1	-0.7	10.3
Paper Products	-4.4	-5.6	-11.2	2.4	3.1	-6.6	5.9
Industrials	-0.6	-0.8	0.2	10.1	11.0	0.4	16.0
Capital Goods	-0.2	-0.4	0.8	11.8	12.4	0.2	16.7
Aerospace & Defense	1.0	1.5	5.1	17.1	23.1	14.0	14.0
Aerospace & Defense	1.0	1.5	5.1	17.1	23.1	14.0	14.0
Building Products	1.5	-1.1	-7.4	0.7	4.7	-12.4	29.4
Building Products	1.5	-1.1	-7.4	0.7	4.7	-12.4	29.4
Construction & Engineering	4.0	2.0	5.8	44.3	5.7	41.7	37.5
Construction & Engineering	4.0	2.0	5.8	44.3	5.7	41.7	37.5
Electrical Equipment	-1.4	-1.4	-2.1	8.0	17.3	8.3	11.8
Electrical Components & Equipment	-1.4	-1.4	-2.1	8.0	17.3	8.3	11.8
Industrial Conglomerates	-1.9	-1.6	-0.9	4.2	5.7	-6.1	16.9
Industrial Conglomerates	-1.9	-1.6	-0.9	4.2	5.7	-6.1	16.9
Machinery	1.4	-0.5	-0.9	24.2	16.4	-0.6	18.6
Construction & Farm Machinery & Heavy Trucks	1.5	-0.9	0.1	31.7	20.6	2.6	21.0
Industrial Machinery	1.3	-0.1	-1.9	16.9	12.7	-3.1	16.8
Trading Companies & Distributors	-1.5	-2.0	-8.0	22.4	-1.6	6.7	40.6
Trading Companies & Distributors	-1.5	-2.0	-8.0	22.4	-1.6	6.7	40.6
Commercial Services & Supplies	-1.9	-2.8	-7.2	-3.3	9.0	-3.8	4.9
Commercial Services & Supplies	-1.9	-2.8	-7.2	-3.3	9.0	-3.8	4.9
Commercial Printing	-6.8	-7.9	-10.5	9.5	3.9	-3.1	17.0
Diversified Commercial & Professional Services	-1.8	-2.0	-10.0	-6.1	2.4	-12.7	2.5
Human Resource & Employment Services	-5.6	-5.9	-11.7	-17.7	5.1	25.3	36.9
Environmental & Facilities Services	1.1	-0.6	-3.5	3.0	23.2	0.1	-5.9
Office Services & Supplies	-0.9	-1.6	-5.4	-5.3	14.3	-8.2	11.2
Transportation	-1.8	-2.2	-0.5	6.0	5.6	3.5	19.6
Air Freight & Logistics	-1.0	-1.2	0.5	-0.7	1.6	-8.1	21.1
Air Freight & Logistics	-1.0	-1.2	0.5	-0.7	1.6	-8.1	21.1

S&P Sectors and Industries	P E R F O R M A N C E						
	LAST WK	MTD	QTD	YTD	2006	2005	2004
Airlines	-0.4	-0.4	4.6	1.8	-6.8	-5.1	-3.0
Airlines	-0.4	-0.4	4.6	1.8	-6.8	-5.1	-3.0
Road & Rail	-2.8	-3.6	-2.2	15.3	13.5	30.9	23.0
Railroads	-3.0	-3.7	-2.3	15.7	13.5	30.9	23.0
Consumer Discretionary	-2.0	-1.7	-7.4	-5.2	17.2	-7.4	12.1
Automobiles & Components	0.3	-3.0	-11.1	5.3	22.4	-34.9	-4.8
Auto Components	1.2	-2.5	-8.2	28.7	10.5	-19.6	5.6
Auto Parts & Equipment	2.1	-1.0	-3.2	30.4	10.7	-23.8	0.6
Tires & Rubber	-2.1	-8.0	-24.0	25.9	24.6	1.8	40.6
Automobiles	-0.2	-3.3	-12.8	-4.3	28.1	-40.6	-8.2
Automobile Manufacturers	0.6	-3.1	-14.9	5.7	23.6	-49.2	-16.9
Motorcycle Manufacturers	-2.1	-3.7	-7.4	-21.7	36.9	-15.2	27.8
Consumer Durables & Apparel	-0.6	-0.7	-7.6	-5.9	4.6	0.4	21.9
Household Durables	-0.9	-1.0	-8.4	-13.7	-6.9	8.5	20.3
Consumer Electronics	0.2	-0.7	-1.4	15.3	20.7	0.0	0.0
Home Furnishings	-1.7	-1.4	-7.3	-14.4	4.1	-19.2	31.4
Homebuilding	-3.1	-1.6	-16.0	-39.8	-20.9	25.8	32.9
Household Appliances	-1.4	-1.8	-6.9	11.9	1.4	4.3	20.8
Housewares & Specialties	1.6	0.5	-4.3	-5.7	14.0	4.0	6.0
Leisure Equipment & Products	-1.6	0.1	-10.1	-1.3	18.3	-18.8	14.8
Leisure Products	-2.6	-1.2	-11.7	-2.2	22.5	-13.8	9.4
Photographic Products	0.6	3.0	-6.5	0.9	10.3	-27.4	25.6
Textiles Apparel & Luxury Goods	0.1	-0.7	-5.7	4.0	22.9	0.6	28.5
Apparel Accessories & Luxury Goods	-0.9	-1.1	-7.1	-1.2	28.5	2.5	27.0
Footwear	1.9	0.1	-3.1	14.1	15.6	-0.6	30.1
Consumer Services	-1.1	-0.8	-3.5	-1.7	18.5	-0.2	37.7
Hotels Restaurants & Leisure	-0.9	-0.8	-3.3	-2.6	22.4	2.0	37.7
Casinos & Gaming	-1.7	-1.5	-6.8	-12.0	31.1	-5.0	8.2
Hotels Resorts & Cruise Lines	-1.1	-2.1	-1.7	-2.2	13.1	0.3	44.1
Restaurants	-0.6	0.3	-3.4	-0.1	25.3	5.1	41.0
Diversified Consumer Services	-3.5	-0.9	-7.3	13.1	-21.3	-	-
Education Services	-3.7	-1.0	0.1	50.1	-35.5	-	-
Specialized Consumer Services	-3.2	-0.8	-15.3	-14.1	-6.2	-	-
Media	-2.2	-1.6	-7.1	-7.3	29.3	-13.4	-3.4
Media	-2.2	-1.6	-7.1	-7.3	29.3	-13.4	-3.4
Advertising	-0.5	-0.5	-3.9	-4.6	23.9	-6.8	-6.5
Broadcasting & Cable TV	-3.6	-2.4	-7.7	-6.8	42.8	-16.9	-9.1
Movies & Entertainment	-1.3	-0.6	-5.7	-6.8	27.2	-12.4	0.6
Publishing	-2.6	-4.0	-12.8	-12.4	13.2	-14.2	-4.2
Retailing	-3.2	-2.5	-9.0	-6.2	9.4	-1.1	21.6
Distributors	0.1	0.0	-4.1	0.3	8.0	-0.3	32.7
Distributors	0.1	0.0	-4.1	0.3	8.0	-0.3	32.7
Internet & Catalog Retail	-8.9	-2.8	3.5	46.5	-11.8	-25.3	80.0
Internet Retail	-8.9	-2.8	3.5	46.5	-11.8	-25.3	80.0
Multiline Retail	-4.2	-3.1	-12.1	-5.9	20.2	7.9	21.2
Department Stores	-5.0	-5.0	-16.0	-14.8	33.4	13.3	20.0
General Merchandise Stores	-3.2	-0.6	-7.0	6.6	4.7	1.8	22.5
Specialty Retail	-1.9	-2.2	-8.9	-10.9	5.5	2.1	11.5
Apparel Retail	-3.0	-3.2	-8.9	-13.6	20.4	-9.7	6.8
Computer & Electronics Retail	-4.5	-2.7	-11.8	-9.4	5.2	4.4	15.9
Home Improvement Retail	-1.3	-2.3	-8.3	-9.7	-1.4	1.6	15.1
Specialty Stores	-1.1	-0.2	-8.9	-16.5	20.7	17.6	4.9
Automotive Retail	-3.6	-3.7	-12.6	-0.7	14.5	-	-
Homefurnishing Retail	-1.3	-1.2	-4.9	-10.2	5.4	-	-
Consumer Staples	0.2	0.5	-1.9	1.7	11.8	1.3	6.0
Food & Staples Retailing	0.6	0.1	-3.2	1.3	5.7	-5.2	2.6
Food & Staples Retailing	0.6	0.1	-3.2	1.3	5.7	-5.2	2.6
Drug Retail	1.5	1.9	0.5	6.0	8.0	15.9	10.8
Food Distributors	1.7	-3.3	-6.5	-16.1	18.4	-18.7	2.5

S&P Sectors and Industries	P E R F O R M A N C E						
	LAST WK	MTD	QTD	YTD	2006	2005	2004
Food Retail	0.2	-0.2	-7.4	1.4	15.7	4.3	-3.4
Hypermarkets & Super Centers	-0.1	-0.5	-3.8	1.3	0.1	-9.5	1.7
Food Beverage & Tobacco	0.7	0.5	-2.9	3.5	14.4	3.8	5.4
Beverages	1.4	1.5	0.3	6.5	11.9	1.3	-4.8
Brewers	1.0	0.6	-5.7	1.2	14.3	-15.3	-1.9
Distillers & Vintners	2.7	2.9	-6.8	-9.1	3.3	25.2	4.2
Soft Drinks	1.4	1.7	1.9	8.4	12.0	4.5	-5.7
Food Products	-1.3	-0.8	-5.7	1.0	15.8	-8.3	18.6
Agricultural Products	-1.7	-0.4	1.1	4.7	29.6	10.5	46.6
Packaged Foods & Meats	-1.3	-0.8	-6.6	0.0	13.5	-10.5	16.2
Tobacco	1.8	0.0	-5.0	2.1	17.0	19.8	13.6
Tobacco	1.8	0.0	-5.0	2.1	17.0	19.8	13.6
Household & Personal Products	-1.3	0.8	1.6	-1.3	12.6	4.4	12.2
Household Products	-0.7	1.1	2.1	-1.9	12.3	2.4	10.2
Household Products	-0.7	1.1	2.1	-1.9	12.3	2.4	10.2
Personal Products	-7.9	-2.4	-4.1	6.8	15.4	16.3	19.4
Personal Products	-7.9	-2.4	-4.1	6.8	15.4	16.3	19.4
Health Care	-0.1	0.1	-4.3	0.7	5.8	4.9	0.2
Health Care Equipment & Services	0.5	0.3	-3.5	3.9	-0.2	17.4	17.3
Health Care Equipment & Supplies	1.3	1.0	-3.2	2.2	3.2	-0.1	12.3
Health Care Equipment	1.3	1.0	-3.1	1.9	3.4	-0.5	12.1
Health Care Supplies	-3.2	-2.2	-10.0	20.1	-2.9	16.9	20.9
Health Care Providers & Services	-0.2	-0.2	-3.5	5.0	-2.3	34.2	22.6
Health Care Distributors	2.2	0.6	-4.6	6.3	-1.8	28.8	-2.9
Health Care Services	3.0	1.5	3.5	31.0	4.9	32.2	17.4
Health Care Facilities	-3.9	-2.5	-12.1	-1.8	1.2	10.4	-10.9
Managed Health Care	-1.7	-0.9	-4.9	-2.1	-6.6	42.7	52.7
Pharmaceuticals & Biotechnology	-0.4	-0.1	-4.8	-1.1	9.9	-2.0	-7.1
Biotechnology	-3.9	-2.4	-3.4	-4.2	-2.7	18.3	7.6
Biotechnology	-3.9	-2.4	-3.4	-4.2	-2.7	18.3	7.6
Pharmaceuticals	0.3	0.4	-5.4	-0.9	12.6	-5.9	-9.5
Pharmaceuticals	0.3	0.4	-5.4	-0.9	12.6	-5.9	-9.5
Financials	-3.8	-3.3	-11.0	-12.7	16.2	3.7	8.2
Banks	-4.8	-4.2	-12.0	-16.4	12.3	-4.8	10.9
Commercial Banks	-3.7	-3.5	-10.5	-15.2	11.5	-2.2	11.1
Diversified Banks	-3.5	-3.5	-9.9	-15.2	12.0	-1.2	13.5
Regional Banks	-4.0	-3.6	-11.2	-15.1	10.9	-4.2	6.4
Thriffs & Mortgage Finance	-7.7	-6.3	-16.2	-19.8	13.4	-13.0	10.4
Thriffs & Mortgage Finance	-7.7	-6.3	-16.2	-19.8	13.4	-13.0	10.4
Diversified Financials	-3.6	-3.0	-10.6	-12.3	20.7	7.2	5.9
Diversified Financial Services	-1.8	-1.2	-8.3	-13.7	15.9	2.9	0.2
Other Diversified Financial Services	-1.7	-1.2	-8.2	-13.8	16.3	1.5	-1.0
Specialized Finance	-2.7	-1.4	-8.7	-10.6	4.5	29.0	42.6
Consumer Finance	-3.7	-2.8	-11.4	-7.9	4.9	2.3	22.2
Consumer Finance	-3.7	-2.8	-11.4	-7.9	4.9	2.3	22.2
Capital Markets	-6.2	-5.5	-13.6	-11.6	32.4	15.4	6.9
Asset Management & Custody Banks	-3.3	-4.1	-7.7	0.9	16.7	11.7	6.2
Investment Banking & Brokerage	-7.8	-6.3	-16.8	-17.2	39.6	17.0	3.2
Insurance	-4.2	-3.4	-11.4	-8.7	9.3	12.5	5.9
Insurance	-4.2	-3.4	-11.4	-8.7	9.3	12.5	5.9
Insurance Brokers	-0.3	-0.2	-9.0	-1.3	-2.7	12.9	-24.2
Life & Health Insurance	-2.4	-2.3	-8.9	0.2	15.0	20.9	20.4
Multi-line Insurance	-5.7	-4.3	-12.3	-11.6	6.4	7.8	2.7
Property & Casualty Insurance	-4.5	-3.6	-12.9	-13.5	10.7	13.0	8.4
Real Estate	0.1	-1.2	-7.8	-15.4	36.8	7.4	21.9
Real Estate						7.4	21.9
Real Estate Investment Trusts	0.5	-0.8	-7.5	-15.7	36.9	7.4	21.9
Information Technology	-1.6	-0.4	-0.9	8.0	7.7	0.4	2.1
Software & Services	-1.5	-0.5	-3.7	1.7	7.7	-2.1	10.5

S&P Sectors and Industries	P E R F O R M A N C E						
	LAST WK	MTD	QTD	YTD	2006	2005	2004
Internet Software & Services	-1.3	-0.6	-5.8	5.2	-20.7	4.0	66.8
Internet Software & Services	-1.3	-0.6	-5.8	5.2	-20.7	4.0	66.8
IT Services	-1.4	-1.3	-4.8	3.2	9.5	3.4	3.3
IT Consulting & Other Services	-0.1	0.8	4.3	5.4	19.1	-42.7	-31.4
Data Processing & Outsourced Services	-1.6	-1.5	-5.7	3.0	9.4	4.7	4.7
Software	-1.6	-0.1	-2.4	-0.1	14.5	-4.2	9.0
Application Software	-3.7	-3.1	-6.3	-0.5	5.3	10.6	11.6
Systems Software	-1.4	0.2	-2.1	0.0	16.9	-5.3	7.9
Home Entertainment Software	0.4	2.9	5.7	-0.6	-3.7	-15.2	29.1
Technology Hardware & Equipment	-1.9	-0.1	1.7	12.5	14.9	-1.7	8.7
Communications Equipment	0.1	0.1	0.7	7.1	15.1	1.8	2.8
Communications Equipment	0.1	0.1	0.7	7.1	15.1	1.8	2.8
Computers & Peripherals	-3.0	0.1	3.5	18.0	16.0	-3.9	14.8
Computer Hardware	-3.0	0.5	4.4	20.0	17.8	-1.7	13.9
Computer Storage & Peripherals	-3.7	-2.9	-2.7	4.9	6.7	-17.1	20.9
Electronic Equipment & Instruments	-3.1	-2.2	-5.9	-1.4	-0.6	1.2	-8.5
Electronic Equipment Manufacturers	0.9	-0.2	-1.2	10.3	10.8	15.8	-2.4
Electronic Manufacturing Services	-5.5	-3.4	-8.7	-11.7	-13.9	-11.9	-17.0
Office Electronics	-1.2	-3.2	-8.5	-0.2	15.7	-13.9	23.3
Office Electronics	-1.2	-3.2	-8.5	-0.2	15.7	-13.9	23.3
Semiconductors	-1.1	-1.2	-2.7	10.0	-9.9	11.2	-21.3
Semiconductors & Semiconductor Equipment	-0.9	-1.3	-1.7	10.2	-8.1	10.0	-21.8
Semiconductors & Semiconductor Equipment	-0.9	-1.3	-1.7	10.2	-8.1	10.0	-21.8
Semiconductor Equipment	-0.2	-1.6	3.5	10.2	5.3	2.0	-25.0
Telecommunication Services	0.1	-0.1	-3.0	10.2	32.1	-9.0	16.0
Telecommunication Services	0.1	-0.1	-3.0	10.2	32.1	-9.0	16.0
Diversified Telecommunication Services	0.7	0.3	-2.9	11.0	43.9	-8.9	9.3
Integrated Telecommunication Services	0.7	0.3	-2.9	11.0	43.9	-8.9	9.3
Wireless Telecommunication Services	-2.7	-2.2	-3.5	6.4	-3.4	1.6	57.3
Wireless Telecommunication Services	-2.7	-2.2	-3.5	6.4	-3.4	1.6	57.3
Utilities	0.2	-0.5	-4.3	2.6	16.9	12.8	19.6
Utilities	0.2	-0.5	-4.3	2.6	16.9	12.8	19.6
Electric Utilities	1.2	0.2	-3.2	4.2	19.0	13.5	21.8
Electric Utilities	1.2	0.2	-3.2	4.2	19.0	13.5	21.8
Gas Utilities	-0.6	-3.5	-6.9	12.5	21.1	-6.6	9.9
Gas Utilities	-0.6	-3.5	-6.9	12.5	21.1	-6.6	9.9
Multi-Utilities	0.0	-0.9	-4.8	-3.0	12.3	13.1	15.1
Multi-Utilities	0.0	-0.9	-4.8	-3.0	12.3	13.1	15.1
Independent Power Producers & Energy Traders	-2.7	-1.6	-6.6	10.6	24.4	-	-
Independent Power Producers & Energy Traders	-2.7	-1.6	-6.6	10.6	24.4	-	-

Broad Based Indexes	P E R F O R M A N C E						
	LAST WK	MTD	QTD	YTD	2006	2005	2004
S&P 500 Index (Operating Basis)	-1.8	-1.5	-4.7	1.0	13.6	3.0	9.0
Dow Jones 30 Industrials	-0.6	-0.2	-1.7	5.8	16.3	-0.6	3.1
Dow Jones 65 Composite	-1.2	-1.2	-3.1	5.8	13.3	7.1	13.2
Dow Jones Wilshire 5000 (Full cap)	-1.9	-1.7	-5.1	1.2	13.9	4.6	10.8
Russell 1000	-1.8	-1.6	-4.7	1.3	13.3	4.4	9.5
Russell 3000	-1.9	-1.6	-5.1	0.8	13.7	4.3	10.1
NASDAQ Composite Index	-2.0	-1.4	-3.5	4.0	9.5	1.4	8.6
S&P Mid Cap	-2.1	-1.8	-6.1	4.5	9.0	11.3	15.2
Russell Mid Cap	-1.8	-2.0	-5.7	3.0	13.5	11.0	18.4
Russell 2000	-2.9	-2.7	-9.4	-4.1	17.0	3.3	17.0
S&P Small Cap	-2.3	-2.4	-7.4	0.1	14.1	6.7	21.6
Russell Micro Cap (TR)	0.2	0.2	-6.9	-2.9	16.5	-	-

Barrington Research Associates, Inc.

161 N. Clark Street, Suite 2950
Chicago, IL 60601

Main: (312) 634-6000

Trading: (800) 233-6205

Fax: (312) 634-6350

INVESTMENT RESEARCH

Alek Gasiel	agasiel@brai.com	(312) 634-6380
James C. Goss, CFA	jcg@brai.com	(312) 634-6355
Jack Hain	jhain@brai.com	(312) 634-6379
Michael Hutchison	mh@brai.com	(312) 634-6354
Derek W. Leckow	dleckow@brai.com	(312) 634-6367
Walter S. Liptak, CPA	wliptak@brai.com	(312) 634-6371
Alexander P. Paris, CFA	app@brai.com	(312) 634-6359
Alexander Paris, Jr., CFA	aparis@brai.com	(312) 634-6352
Gary Prestopino, CFA	gprestopino@brai.com	(312) 634-6369
Jennifer Price (Editorial)	jprice@brai.com	(312) 634-6341

INSTITUTIONAL SALES

Lori Boo	lboo@brai.com	(312) 634-6353
Lia Carlos	liacarlos@brai.com	(312) 634-6372
Craig E. Christensen	cec@brai.com	(312) 634-6356
Frank P. Clarke	fclarke@brai.com	(212) 350-4754
David C. Hayward	dhayward@brai.com	(312) 634-6362
Jerry Keaton	jkeaton@brai.com	(312) 634-6386
Daniel F. Mangin III	dmangin@brai.com	(312) 634-6385
Jonathan Raclin	jsr@brai.com	(312) 634-6358
John K. Smith	jsmith@brai.com	(312) 634-6340
Lisa Vliek	lvliek@brai.com	(312) 634-6373

TRADING (800) 233-6205

Michael Hutchison	mh@brai.com	(312) 634-6374
Alice M. Somodji	ams@brai.com	(312) 634-6375

Institutional Equity Trading Instructions

Barrington Research Associates, Inc., an NASD-registered broker/dealer, clears through Bear Stearns, on a fully disclosed basis. We offer several ways to facilitate the payment for our economic and investment research services.

- 1) Both listed and NASDAQ orders may be placed with our traders, Mike Hutchison and Alice Somodji, at (800) 233-6205 or (312) 634-6374.
- 2) Listed orders can also be placed directly with the Bear Stearns block desk in New York at (212) 272-5491. When placing orders, please specify that the order is for the credit of Barrington Research.
- 3) If you prefer, you can trade through any regional Bear Stearns institutional desk and direct your orders for the "credit of Barrington Research - Office 504."
- 4) If you do not have an account, please fax account instructions to your Barrington Research institutional salesperson at (312) 634-6350 and we will open the account(s).
- 5) All confirmations will go out in the name of Barrington Research.
- 6) Our DTC number is 0352. Our Broker/Dealer number is 58453. Our NSCC Symbol and Oasys Terminal ID are BRRR. Our Alert OCCD Acronym is BARRE.

In addition, Barrington Research has signed a fully-disclosed correspondent agreement with Instinet Corp. and is a participant in Instinet's new commission-sharing program, BrokerShare, which allows institutional clients to trade with Instinet while directing their commission dollars to our firm (and other broker-dealers) to pay for investment research and other services. For more information about the Instinet BrokerShare program, contact Instinet directly at (800) 225 5008.

If you have any further questions on trading, setting up accounts or related information (including BrokerShare), please call Michael Hutchison or Alice Somodji in our trading department, or your institutional sales representative.

ADDITIONAL INFORMATION ON COMPANIES MENTIONED IN THIS REPORT ARE AVAILABLE UPON REQUEST.

The information contained herein has been obtained from sources believed to be reliable, but we do not guarantee its accuracy or completeness. The opinions and estimates reflect our best judgment as of the report date and are subject to change without notice. This report is intended for informational purposes only and does not constitute an offer or solicitation to buy or sell any securities. Barrington Research Associates, Inc., its affiliates, officers, analysts, or employees may, from time to time, have positions in any security referred to herein. Barrington Research Associates, Inc. may act as principal or as agent for both the buyer or the seller with the purchase or sale of any security mentioned in this report. Barrington Research Associates, Inc. may have provided, or may seek to provide, investment banking services to any company mentioned in this report. This report may not be reproduced in any form without prior written consent. © 2007 Barrington Research Associates, Inc. All rights reserved. Member NASD/SIPC.