Barrington Research™
Economic and Investment Research

MARKET WEEK
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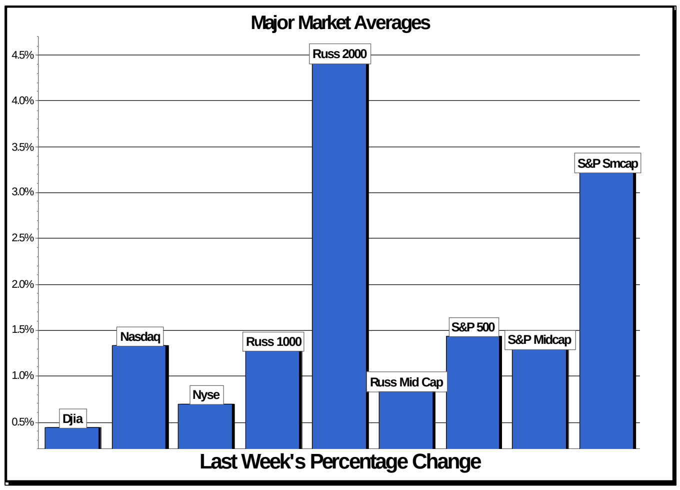
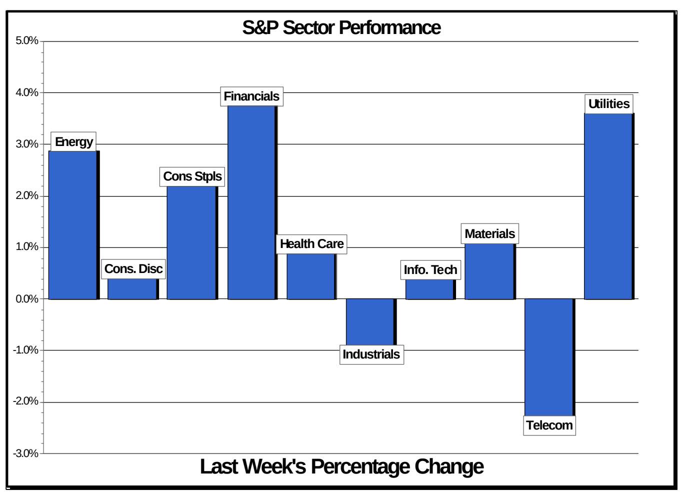
It's Credit Stupid



There, we said it! After having the word *credit* in the title of almost every economic and market piece we've published in the last month or so, we finally succumbed to the temptation of using this shameful play on the hackneyed *It's the Economy, Stupid* phrase of yesteryear. Investor attention has been almost completely deflected from underlying fundamentals, that are still fairly good, and there is little evidence of a significant increase in inflation expectations. We've written ad nauseum in our Monthly Economic Review for years that the biggest risk to the market was a surprise unwinding of the huge international imbalances and high-complacency/low-risk sentiment. On the positive side, the current disruptions could lower the intensity of a correction late. Although there will be some spillover from the credit correction into the real economy, it is coming at a time when the global economy is strong enough to absorb it and overall inflation has been modest enough that we don't also have major inflationary excesses to cure as in the 1970's. In short, we mostly have a crisis in financial markets, but that doesn't mean the painful adjustment is over despite last week's central bank bailout.

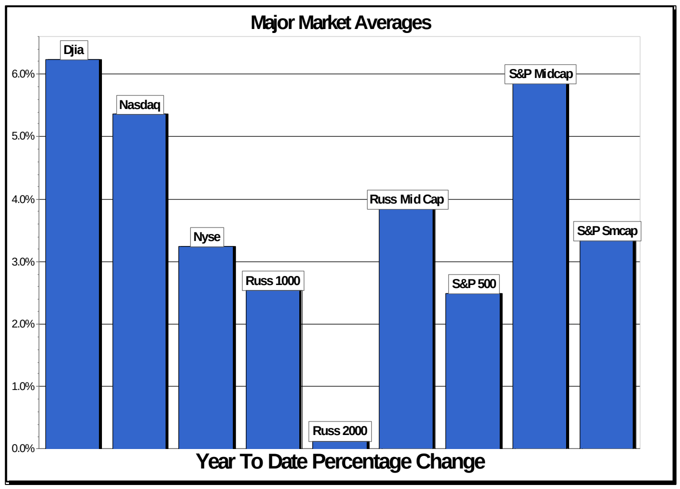


These have clearly not been the lazy days of summer. As we warned last week, the market volatility last week was extremely high and there is likely more of the same ahead. The small full-week gains in most market averages did not tell the full story, masking some wide swings in the market. Following the big disheartening 281-point DJIA plunge on the previous Friday, the market got it all back on the first day of the week with a 286-point Fed rally, driven by investors hoping for signals of easier monetary policy ahead in the Fed FOMC comments on Tuesday. It was led by a big rally in the previously highly depressed financial sector. The DJIA then dropped by over a hundred points on Tuesday when the Fed disappointed investors but, upon further reflection, investors decided that the Fed's token reference to worsened credit conditions was a sufficient signal of a modest change toward neutrality. The rebound continued with another triple-digit 153-point DJIA gain on Wednesday after which the 387-point Thursday plunge wiped out most of the gains of the first three days with a threatened meltdown on Friday averted by the second huge injection of central bank liquidity. The DJIA still ended modestly lower on Friday after rallying 182 points from the intraday low in response to additional central bank bailouts. It was the second week in a row dominated by triple-digit daily changes in the DJIA.

The small changes in the major averages also masked two other changes. Small-cap stocks came roaring back with gains in the small-cap averages of around double those of the large-cap major averages for the week, with the performance gap between the mega-cap DJIA (+0.4%) and the small-cap Russell 2000 (+4.4%) an example of the dramatic change. Secondly, the sector performance shift from cyclical to defensive sectors in the previous week also picked up momentum last week. The defensive utilities (+3.6%) and consumer staples (+2.9%) sectors both outperformed the S&P 500 (+1.4%) while the financial sector (+3.8%) led all sectors and cancelled out a comparable loss in the previous week. On the other hand, all the cyclical sectors underperformed the market with the formerly high-flying industrial sector (-2.0%) being the second worst performer. We suggested in our previous issue that investors were losing confidence in the economic outlook and that trend was obviously re-enforced last week by relative sector performance.

Another Volatile Week Ahead

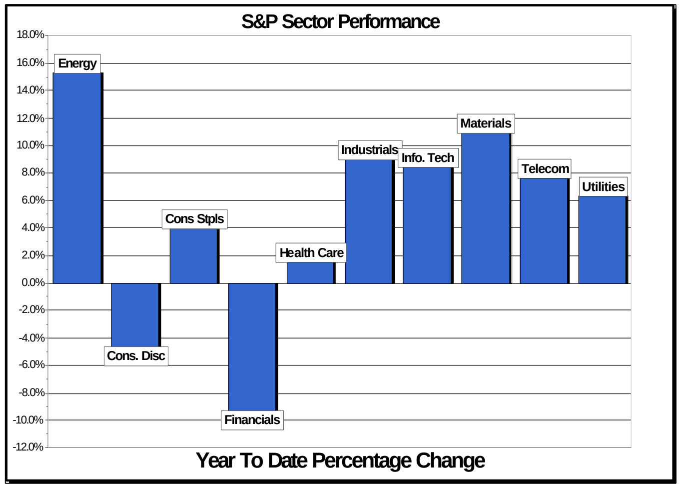
It is a safe bet that recent high market volatility will continue in the coming week especially with the massive central bank bailout of financial markets last Thursday and Friday adding to the uncertainty. The fed will also be on center stage for the second week in a row.



Hair of the Dog Monetary Policy: The Fed went from expressing little concern about credit conditions and economic growth in its Tuesday comments to injecting $24 billion and $38 billion on Thursday and Friday, respectively, to improve liquidity. That's enough reason alone for the volatility. But the European Central Bank (ECB) was even more aggressive, injecting $130 billion and $83.56 billion in those same two days while Australia, Canada, Norway, Singapore and Switzerland reportedly injected liquidity as well. Other central banks said they were standing by to help. Most of these central banks did an even bigger about-face since, until recently, their prime concern was inflation and they were raising interest rates. At their last public comments, the UK and Japan were still intending to raise rates at their next meeting. The second day of central bank liquidity injections on Friday appeared to finally arrest the plunging stock market and provide some positive momentum for a follow-through on Monday morning, especially if foreign markets rally beforehand. But investors could also begin pondering just how bad the underlying financial markets are to warrant such a dramatic about-face by central banks or whether the injection was enough. Some cynical investors and economists might also remind central banks that only a few days earlier they were all blaming previously excessive liquidity for the current credit problems and are now engaged in a *hair of the dog* monetary strategy to feed the liquidity/speculative habit of hedge funds and the like and simply bailing out the hedge funds and other speculators to come back and play another day. Nor do we believe that the clamoring demand by investors to redeem their hedge fund shares, thereby forcing fund liquidations, to disappear overnight. Did foreign central banker sentiment really change from inflation to deflation fears in one week? If they are still concerned about longer-term inflation, as they probably should be, they are in the process of making their jobs a little harder. We don't know how it will turn out in the near term but there is sufficient uncertainty to maintain the recent manic-depressive market behavior. The best advice is to focus on the fundamentals of individual stocks and, especially when they are the targets of forced hedge fund liquidation, add to positions. When all the smoke clears, the current credit disruptions should set the stage for better sustainable economic growth in 2008.

With 447 S&P 500 companies having already reported, the second quarter earnings season is near the end with the growth estimated at 7.9%, well above the 4.1% estimate on July 1. Most of the retailers will be reporting this week with what should be fairly uninspiring results and a sluggish July retail sales report will be coming out on Monday. That may take some of the sizzle out of the market. As discussed below, there will also be a considerably larger calendar of economic reports this week that could deflect some attention away from credit problems. Unfortunately, except for some tame inflation numbers, other reports will likely be negative on balance and do little to reduce recent investor concerns about the credit problems spilling over to the economy. While we still believe we are having more of a problem of credit market dislocations, the credit developments are already detracting from economic growth that was already slated to slow compared to the second quarter rebound.

Economic News



Whether or not investors can take their eyes off the Fed and death watch for the latest financial casualties from the subprime mortgage bust, there will be a busier calendar of economic reports for their perusal. But we see little that will excite them. With very modest increases in core inflation in the producer and consumer price indexes and sluggish growth in retail sales and industrial production, the Fed will at least have some justification for giving the economy another habit-forming liquidity injection. Housing news will also continue to look terrible and, with the global financial turmoil, investors will be more interested in the international reports on the U.S. trade deficit and especially the TIC report on foreign investment inflows. We will also get the first look at August manufacturing activity. ***Business inventories***, the one broad-based report this week, should show around a 0.4% increase in June, down just slightly from 0.5% in May and generally confirming that inventories are being cautiously accumulated again and will probably lead to a modest upward revision in the second quarter GDP growth.

Consumer: The busy economics week starts off right away early Monday morning with the ***retail sales*** report, which is likely to be modestly higher (+0.3%) at best in July pressured by very weak auto sales and lower gasoline station sales due to a drop in gasoline prices of close to 10 cents. The 15.5 million annual rate of unit auto sales in July was the lowest of the year and last week's report on July retail chain sales was also very soft. Even adjusting for auto sales and gasoline stations, the sales result will not look very good. The ***weekly chain store sales*** report will give more insight into August retail sales but so far they have started off sluggishly, though year-over-year comparisons will be getting easier. The University of Michigan ***consumer sentiment*** index on Friday will be the first major look into August consumer confidence and we would be amazed if it didn't drop with all the bad news on the financial markets. The consensus is looking for a decline of around five points.

Manufacturing: Manufacturing news will be in the spotlight with many investors watching closely to see if the loss in July momentum carried over into early August. ***Industrial production*** will be the key report of the week and the July report will offer some confirmation of the slowing momentum last month. The general expectation is for very sluggish 0.2% growth (with manufacturing doing modestly better than the total index) down from a 0.5% June increase. A 2.5% increase in auto production will contribute to the gain but, with recent sluggish sales, we would not expect to see much follow-through. With weakness in May and June, business equipment is likely to show some rebound as well. While they don't usually generate the same publicity as the industrial production index, two key regional manufacturing reports for August should get more-than-usual attention for some insight into manufacturing momentum for the rest of the summer. ***NY Empire survey*** by the Fed of manufacturing activity in the State of New York will be reported on Wednesday with the consensus expecting a retrenchment to 18.5 on the key index in August down from 26.5 in July and 25.8 in June. With an equally high profile, the comparable ***Philadelphia Fed survey*** already had a substantial 50% drop in July to 9.2 from 18.0 in June and is only expected to lose a little additional momentum in August. The July report on the North American ***semiconductor equipment*** industry activity will also give some insight into technology capital spending trends. Growth in orders and the book-to-bill ratio slowed in May and June and the semiconductor industry inventory correction appears to have extended a little longer than expected. But there are more recent signs that it is ending and we are moving into the stronger seasonal period for the industry.

Inflation Trends: As mentioned, both major July inflation reports will be released this week on Tuesday (PPI) and Wednesday (CPI) with both likely to show no change from the June core inflation increases.

The ***producer price index*** is expected to be roughly unchanged in July on a reported basis following a 0.2% June decline, with energy playing a smaller role. The core rate, however, is expected to come in at 0.2%, slightly better than the 0.3% June increase Inflation at the ***consumer price*** level will look very similar, essentially unchanged on a reported basis with the core rate the same as in June at 0.2%.

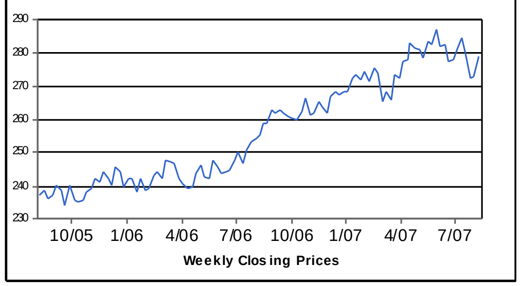
More Bad Housing News: We see nothing in the upcoming housing news that will make investors feel any better about the mortgage crisis. The key report on Thursday, ***housing starts,*** are generally expected to show another 4% decline to a 1.41 million annual rate with permits likely to be uninspiring as well. The ***NAHB Housing Index***, a measure of homebuilder sentiment, has been so depressed (falling another 5 points to a record low 24 in August from over 70 at the previous peak) that one would expect some kind of short-term rebound. But even that is not a given in the light of the terrible mortgage-financing environment and big inventory overhang of unsold homes. The weekly ***mortgage applications*** report showed a rebound last week on a significant decline in mortgage rates and could do so again, but there will be no sustained improvement any time soon. Finally, the latest ***NAR metro price*** report on home prices will also be released this week with a continued decline in prices likely.

International: There will also be two key international reports in the coming week, which should also generate some interest given the international credit concerns. The ***U.S. international trade deficit*** for June is expected to see some modest widening to $60.7 billion from $60 billion in May. Higher import prices will have been one of the problems as they have been all through the second quarter. The huge deficit with China will also be a contributor and will be prominent in the news since China last week just announced a big near record jump in its surplus with the U.S. having the largest deficit. ***Treasury fund flows (TIC report)*** for June will also be reported this week. There was a big jump to a $126.1 billion net inflow of foreign funds in May following an $80.3 billion April inflow. We would not be surprised to see something much less for June.

S&P Sector Performance

S&P Consumer Discretionary Sector

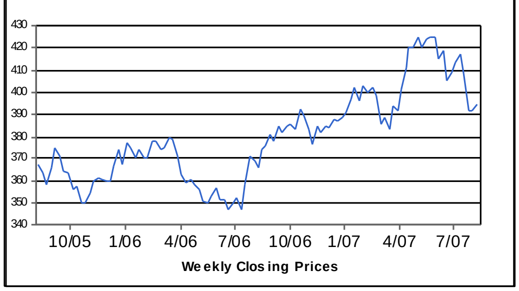
S&P Consumer Staples Sector



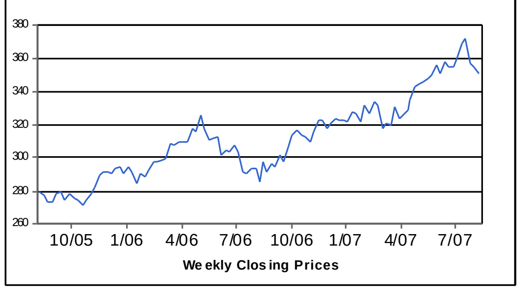
S&P Energy Sector

S&P Financials Sector

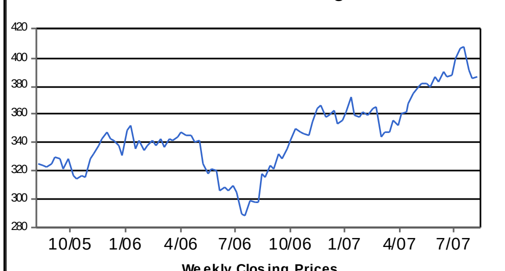
S&P Health Care Sector



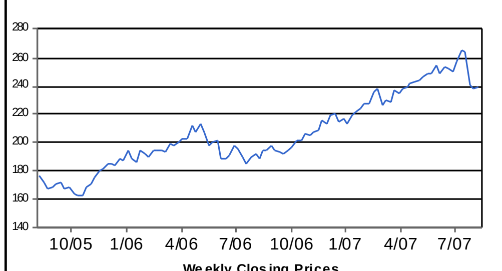
S&P Industrials Sector



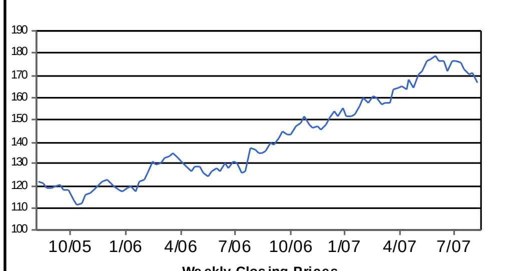
S&P Information Technologies Sector



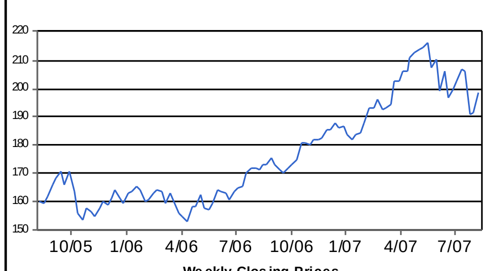
S&P Materials Sector



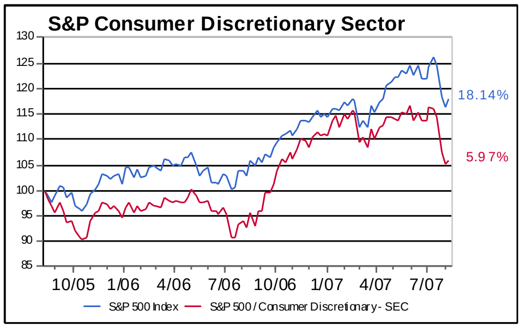
S&P Telecommunications Sector

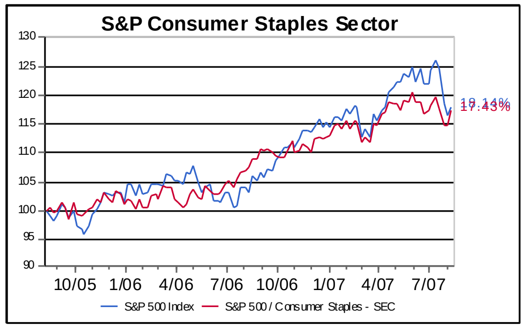


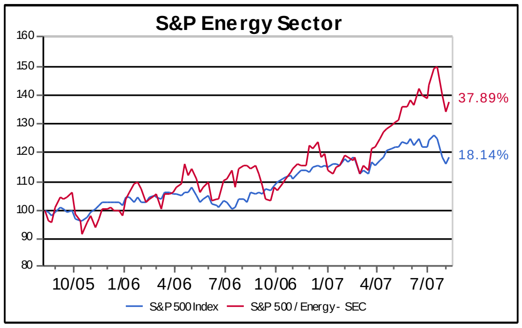
S&P Utilities Sector

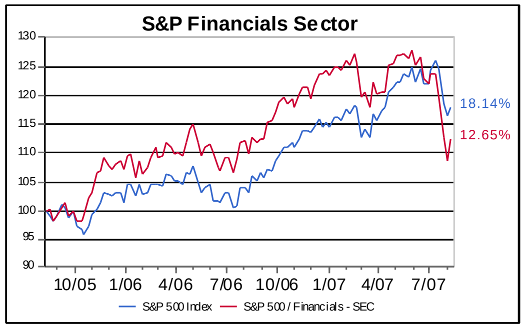


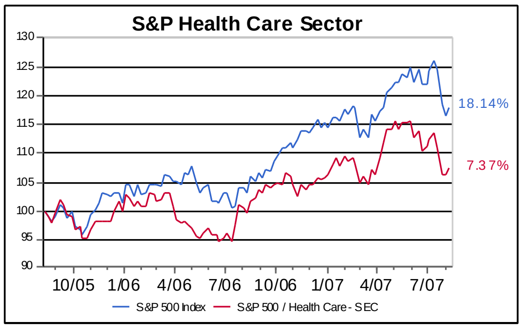
S&P Sector Relative Performance vs. S&P 500 Index

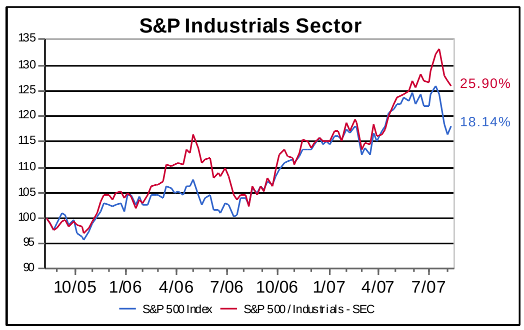


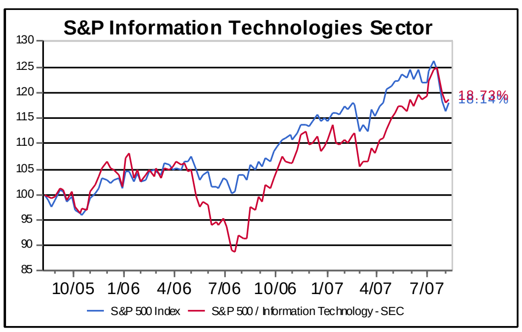


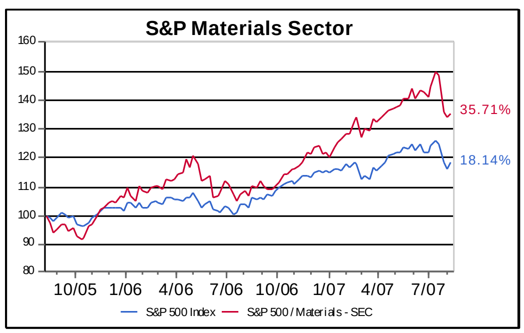


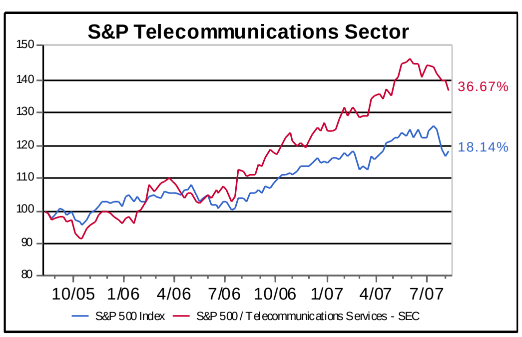


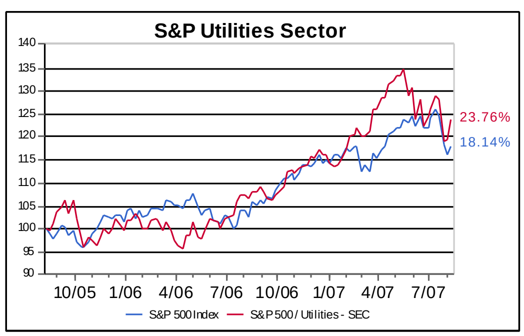




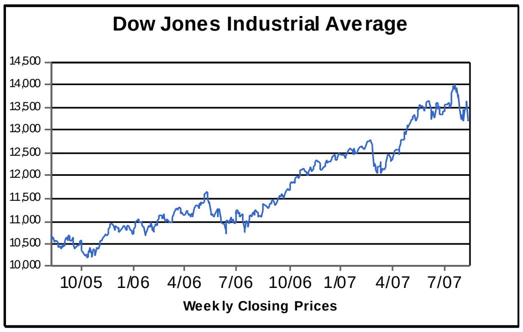


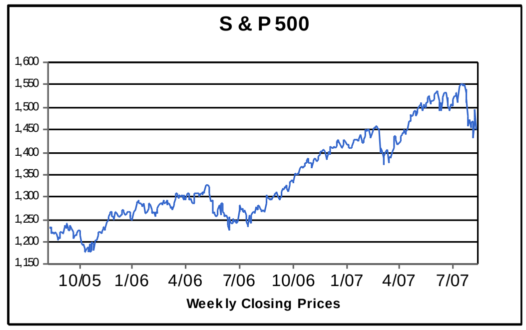


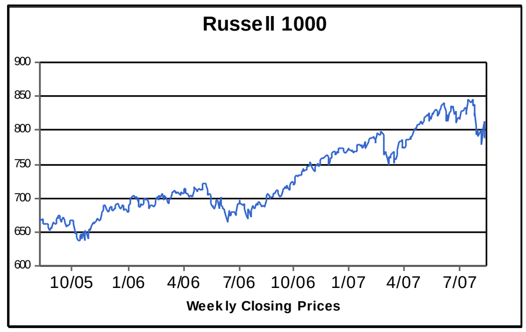


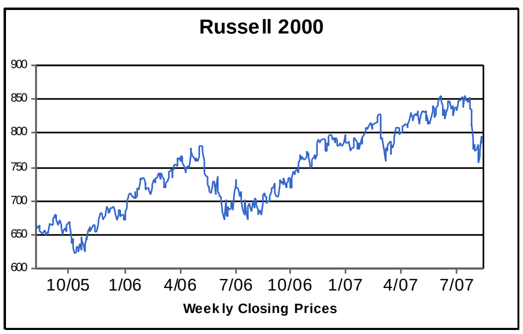


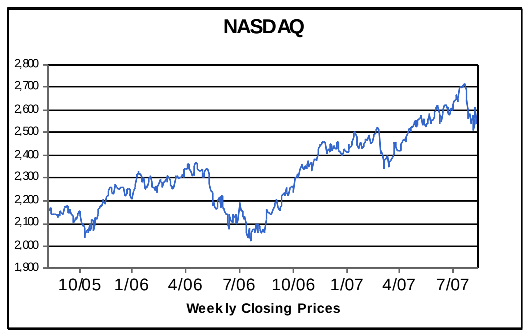
Major Market Averages

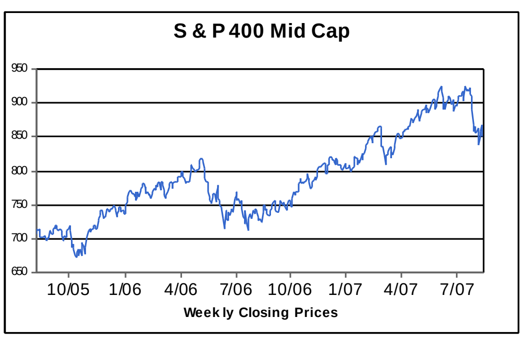


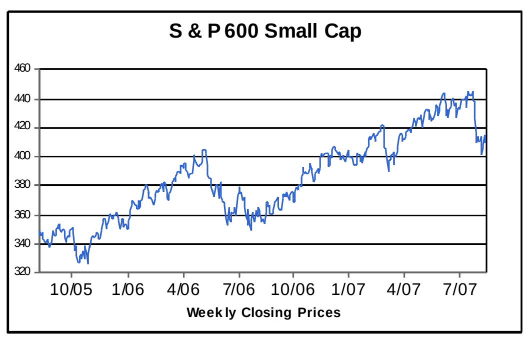












S&P Sectors and Industies	LAST WK	MTD	QTD	YTD	2006	2005	2004
	PERFORMANCE						
Energy	**2.9**	**-1.6**	**-0.9**	**15.3**	**22.2**	**29.1**	**28.8**
Energy	2.9	-1.6	-0.9	15.3	22.2	29.1	28.8
Energy Equipment & Services	3.9	-3.1	1.8	29.7	11.8	49.0	34.2
Oil & Gas Drilling	1.9	-4.8	-4.7	19.5	3.1	53.1	45.1
Oil & Gas Equipment & Services	4.5	-2.5	3.8	32.8	14.8	47.3	30.3
Oil Gas & Consumable Fuels	2.6	-1.2	-1.5	12.1	24.7	25.3	27.9
Oil & Gas Exploration & Production	1.0	1.1	-3.1	16.6	4.0	65.2	33.4
Oil & Gas Storage & Transportation	-1.5	-2.3	-3.0	3.2	16.6	-	-
Integrated Oil & Gas	2.6	-1.8	-0.7	11.2	31.9	15.1	25.6
Oil & Gas Refining & Marketing	10.5	2.5	-8.4	29.3	-5.7	77.3	61.5
Materials	**1.1**	**-1.7**	**-3.9**	**10.9**	**15.7**	**2.2**	**10.8**
Materials	1.1	-1.7	-3.9	10.9	15.7	2.2	10.8
Chemicals	2.4	1.5	0.3	12.5	13.5	-3.0	16.5
Diversified Chemicals	0.4	-0.5	-4.2	3.3	7.1	-12.5	12.6
Fertilizers & Agricultural Chemicals	6.5	5.9	1.1	29.9	35.5	39.6	93.0
Industrial Gases	5.4	3.8	10.9	31.2	14.9	11.4	12.7
Specialty Chemicals	0.3	0.6	2.0	5.3	20.6	2.1	13.4
Construction Materials	2.5	0.4	-16.1	7.0	32.6	24.1	14.8
Construction Materials	2.5	0.4	-16.1	7.0	32.6	24.1	14.8
Containers & Packaging	3.3	-1.8	-8.2	-0.9	19.4	2.0	14.4
Metal & Glass Containers	1.7	-2.1	-4.4	0.6	32.2	-11.0	25.7
Paper Packaging	4.5	-1.7	-10.6	-1.8	11.9	11.7	6.9
Metals & Mining	-1.1	-5.7	-6.0	15.0	23.6	17.2	0.4
Aluminum	-4.1	-9.2	-14.4	15.6	1.5	-5.9	-17.3
Diversified Metals & Mining	0.4	-8.0	4.4	51.4	44.6	48.8	9.7
Gold	2.5	0.4	7.3	-7.2	-15.4	20.2	-8.6
Steel	-1.5	-3.4	-12.2	5.3	75.8	20.7	58.1
Paper & Forest Products	-1.3	-7.2	-14.2	-2.0	2.6	-4.7	7.4
Forest Products	-0.3	-6.8	-15.8	-6.0	2.1	-0.7	10.3
Paper Products	-2.0	-7.6	-13.0	0.3	3.1	-6.6	5.9
Industrials	**-0.9**	**-1.7**	**-0.8**	**9.0**	**11.0**	**0.4**	**16.0**
Capital Goods	-1.4	-1.8	-0.7	10.2	12.4	0.2	16.7
Aerospace & Defense	-3.3	-1.9	1.7	13.2	23.1	14.0	14.0
Aerospace & Defense	-3.3	-1.9	1.7	13.2	23.1	14.0	14.0
Building Products	-3.0	-4.1	-10.2	-2.3	4.7	-12.4	29.4
Building Products	-3.0	-4.1	-10.2	-2.3	4.7	-12.4	29.4
Construction & Engineering	2.7	4.8	8.6	48.2	5.7	41.7	37.5
Construction & Engineering	2.7	4.8	8.6	48.2	5.7	41.7	37.5
Electrical Equipment	-0.3	-1.7	-2.4	7.7	17.3	8.3	11.8
Electrical Components & Equipment	-0.3	-1.7	-2.4	7.7	17.3	8.3	11.8
Industrial Conglomerates	-0.3	-1.9	-1.2	3.9	5.7	-6.1	16.9
Industrial Conglomerates	-0.3	-1.9	-1.2	3.9	5.7	-6.1	16.9
Machinery	-1.2	-1.7	-2.0	22.8	16.4	-0.6	18.6
Construction & Farm Machinery & Heavy Trucks	-1.5	-2.5	-1.4	29.7	20.6	2.6	21.0
Industrial Machinery	-0.8	-0.8	-2.7	16.0	12.7	-3.1	16.8
Trading Companies & Distributors	0.9	-1.1	-7.2	23.5	-1.6	6.7	40.6
Trading Companies & Distributors	0.9	-1.1	-7.2	23.5	-1.6	6.7	40.6
Commercial Services & Supplies	-1.9	-4.7	-9.0	-5.2	9.0	-3.8	4.9
Commercial Services & Supplies	-1.9	-4.7	-9.0	-5.2	9.0	-3.8	4.9
Commercial Printing	-6.7	-14.1	-16.6	2.1	3.9	-3.1	17.0
Diversified Commercial & Professional Services	-0.5	-2.5	-10.5	-6.6	2.4	-12.7	2.5
Human Resource & Employment Services	1.8	-4.2	-10.1	-16.2	5.1	25.3	36.9
Environmental & Facilities Services	-4.4	-5.0	-7.7	-1.6	23.2	0.1	-5.9
Office Services & Supplies	0.9	-0.7	-4.5	-4.5	14.3	-8.2	11.2
Transportation	1.8	-0.5	1.3	7.9	5.6	3.5	19.6
Air Freight & Logistics	1.9	0.6	2.4	1.2	1.6	-8.1	21.1
Air Freight & Logistics	1.9	0.6	2.4	1.2	1.6	-8.1	21.1

S&P Sectors and Industies	LAST WK	MTD	QTD	YTD	2006	2005	2004
	PERFORMANCE						
Airlines	3.8	3.4	8.6	5.7	-6.8	-5.1	-3.0
Airlines	3.8	3.4	8.6	5.7	-6.8	-5.1	-3.0
Road & Rail	1.4	-2.3	-0.8	17.0	13.5	30.9	23.0
Railroads	1.5	-2.3	-0.9	17.4	13.5	30.9	23.0
Consumer Discretionary	**0.4**	**-1.3**	**-7.1**	**-4.8**	**17.2**	**-7.4**	**12.1**
Automobiles & Components	3.4	0.3	-8.1	8.9	22.4	-34.9	-4.8
Auto Components	2.7	0.2	-5.7	32.1	10.5	-19.6	5.6
Auto Parts & Equipment	2.6	1.6	-0.7	33.8	10.7	-23.8	0.6
Tires & Rubber	3.1	-5.1	-21.6	29.8	24.6	1.8	40.6
Automobiles	3.8	0.4	-9.5	-0.7	28.1	-40.6	-8.2
Automobile Manufacturers	3.9	0.7	-11.5	9.8	23.6	-49.2	-16.9
Motorcycle Manufacturers	3.6	-0.2	-4.0	-18.8	36.9	-15.2	27.8
Consumer Durables & Apparel	1.0	0.3	-6.7	-4.9	4.6	0.4	21.9
Household Durables	3.1	2.1	-5.5	-11.1	-6.9	8.5	20.3
Consumer Electronics	-1.5	-2.2	-2.8	13.6	20.7	0.0	0.0
Home Furnishings	-2.8	-4.1	-9.9	-16.9	4.1	-19.2	31.4
Homebuilding	9.9	8.1	-7.7	-33.8	-20.9	25.8	32.9
Household Appliances	-0.1	-1.9	-7.0	11.8	1.4	4.3	20.8
Housewares & Specialties	2.8	3.3	-1.6	-3.1	14.0	4.0	6.0
Leisure Equipment & Products	1.8	1.9	-8.5	0.5	18.3	-18.8	14.8
Leisure Products	0.1	-1.1	-11.6	-2.1	22.5	-13.8	9.4
Photographic Products	5.4	8.6	-1.5	6.3	10.3	-27.4	25.6
Textiles Apparel & Luxury Goods	-2.0	-2.7	-7.6	1.9	22.9	0.6	28.5
Apparel Accessories & Luxury Goods	-2.5	-3.6	-9.4	-3.6	28.5	2.5	27.0
Footwear	-1.3	-1.2	-4.3	12.7	15.6	-0.6	30.1
Consumer Services	1.4	0.6	-2.2	-0.3	18.5	-0.2	37.7
Hotels Restaurants & Leisure	1.6	0.8	-1.7	-1.1	22.4	2.0	37.7
Casinos & Gaming	0.5	-1.0	-6.3	-11.5	31.1	-5.0	8.2
Hotels Resorts & Cruise Lines	1.7	-0.4	0.0	-0.5	13.1	0.3	44.1
Restaurants	1.8	2.0	-1.6	1.7	25.3	5.1	41.0
Diversified Consumer Services	-1.2	-2.1	-8.4	11.7	-21.3	-	-
Education Services	-1.8	-2.8	-1.7	47.4	-35.5	-	-
Specialized Consumer Services	-0.5	-1.3	-15.7	-14.5	-6.2	-	-
Media	-0.9	-2.5	-7.9	-8.1	29.3	-13.4	-3.4
Media	-0.9	-2.5	-7.9	-8.1	29.3	-13.4	-3.4
Advertising	3.0	2.5	-1.0	-1.8	23.9	-6.8	-6.5
Broadcasting & Cable TV	-1.0	-3.4	-8.7	-7.7	42.8	-16.9	-9.1
Movies & Entertainment	-0.8	-1.4	-6.5	-7.5	27.2	-12.4	0.6
Publishing	-3.0	-6.9	-15.5	-15.0	13.2	-14.2	-4.2
Retailing	0.5	-2.0	-8.6	-5.7	9.4	-1.1	21.6
Distributors	1.1	1.1	-3.0	1.4	8.0	-0.3	32.7
Distributors	1.1	1.1	-3.0	1.4	8.0	-0.3	32.7
Internet & Catalog Retail	-2.1	-4.8	1.3	43.5	-11.8	-25.3	80.0
Internet Retail	-2.1	-4.8	1.3	43.5	-11.8	-25.3	80.0
Multiline Retail	1.5	-1.7	-10.8	-4.6	20.2	7.9	21.2
Department Stores	0.7	-4.3	-15.4	-14.2	33.4	13.3	20.0
General Merchandise Stores	2.4	1.7	-4.8	9.1	4.7	1.8	22.5
Specialty Retail	0.3	-1.9	-8.6	-10.6	5.5	2.1	11.5
Apparel Retail	2.2	-1.0	-6.9	-11.7	20.4	-9.7	6.8
Computer & Electronics Retail	2.1	-0.7	-9.9	-7.5	5.2	4.4	15.9
Home Improvement Retail	0.0	-2.4	-8.3	-9.7	-1.4	1.6	15.1
Specialty Stores	-2.3	-2.5	-11.1	-18.4	20.7	17.6	4.9
Automotive Retail	-1.4	-5.0	-13.8	-2.1	14.5	-	-
Homefurnishing Retail	3.3	2.1	-1.8	-7.2	5.4	-	-
Consumer Staples	**2.2**	**2.7**	**0.2**	**4.0**	**11.8**	**1.3**	**6.0**
Food & Staples Retailing	3.0	3.1	-0.3	4.4	5.7	-5.2	2.6
Food & Staples Retailing	3.0	3.1	-0.3	4.4	5.7	-5.2	2.6
Drug Retail	4.7	6.7	5.3	11.0	8.0	15.9	10.8
Food Distributors	5.1	1.6	-1.8	-11.9	18.4	-18.7	2.5

S&P Sectors and Industies	LAST WK	MTD	QTD	YTD	2006	2005	2004
	PERFORMANCE						
Food Retail	1.7	1.5	-5.8	3.1	15.7	4.3	-3.4
Hypermarkets & Super Centers	1.9	1.3	-2.0	3.2	0.1	-9.5	1.7
Food Beverage & Tobacco	1.5	2.0	-1.5	5.0	14.4	3.8	5.4
Beverages	2.3	3.9	2.7	9.0	11.9	1.3	-4.8
Brewers	-1.3	-0.8	-7.0	-0.2	14.3	-15.3	-1.9
Distillers & Vintners	7.6	10.7	0.4	-2.2	3.3	25.2	4.2
Soft Drinks	2.8	4.5	4.7	11.4	12.0	4.5	-5.7
Food Products	0.5	-0.3	-5.3	1.5	15.8	-8.3	18.6
Agricultural Products	2.9	2.5	4.0	7.7	29.6	10.5	46.6
Packaged Foods & Meats	0.2	-0.7	-6.4	0.1	13.5	-10.5	16.2
Tobacco	1.2	1.2	-3.9	3.3	17.0	19.8	13.6
Tobacco	1.2	1.2	-3.9	3.3	17.0	19.8	13.6
Household & Personal Products	2.9	3.8	4.6	1.6	12.6	4.4	12.2
Household Products	3.3	4.4	5.5	1.4	12.3	2.4	10.2
Household Products	3.3	4.4	5.5	1.4	12.3	2.4	10.2
Personal Products	-2.5	-4.8	-6.5	4.2	15.4	16.3	19.4
Personal Products	-2.5	-4.8	-6.5	4.2	15.4	16.3	19.4
Health Care	**0.9**	**1.0**	**-3.5**	**1.5**	**5.8**	**4.9**	**0.2**
Health Care Equipment & Services	0.5	0.8	-3.0	4.4	-0.2	17.4	17.3
Health Care Equipment & Supplies	1.0	2.0	-2.2	3.1	3.2	-0.1	12.3
Health Care Equipment	1.0	2.1	-2.1	2.9	3.4	-0.5	12.1
Health Care Supplies	-0.9	-3.1	-10.8	19.0	-2.9	16.9	20.9
Health Care Providers & Services	0.0	-0.2	-3.5	5.0	-2.3	34.2	22.6
Health Care Distributors	0.1	0.7	-4.5	6.4	-1.8	28.8	-2.9
Health Care Services	0.3	1.8	3.8	31.3	4.9	32.2	17.4
Health Care Facilities	-3.7	-6.1	-15.4	-5.5	1.2	10.4	-10.9
Managed Health Care	0.0	-0.9	-4.9	-2.1	-6.6	42.7	52.7
Pharmaceuticals & Biotechnology	1.1	1.0	-3.7	0.0	9.9	-2.0	-7.1
Biotechnology	-1.1	-3.5	-4.5	-5.3	-2.7	18.3	7.6
Biotechnology	-1.1	-3.5	-4.5	-5.3	-2.7	18.3	7.6
Pharmaceuticals	1.5	1.9	-4.0	0.5	12.6	-5.9	-9.5
Pharmaceuticals	1.5	1.9	-4.0	0.5	12.6	-5.9	-9.5
Financials	**3.8**	**0.4**	**-7.6**	**-9.5**	**16.2**	**3.7**	**8.2**
Banks	6.5	2.0	-6.3	-11.0	12.3	-4.8	10.9
Commercial Banks	4.7	1.0	-6.2	-11.2	11.5	-2.2	11.1
Diversified Banks	4.7	1.1	-5.6	-11.2	12.0	-1.2	13.5
Regional Banks	4.8	1.0	-7.0	-11.1	10.9	-4.2	6.4
Thrifts & Mortgage Finance	11.7	4.7	-6.4	-10.4	13.4	-13.0	10.4
Thrifts & Mortgage Finance	11.7	4.7	-6.4	-10.4	13.4	-13.0	10.4
Diversified Financials	2.7	-0.4	-8.2	-10.0	20.7	7.2	5.9
Diversified Financial Services	2.7	1.5	-5.8	-11.3	15.9	2.9	0.2
Other Diversified Financial Services	2.6	1.4	-5.8	-11.5	16.3	1.5	-1.0
Specialized Finance	3.8	2.4	-5.3	-7.2	4.5	29.0	42.6
Consumer Finance	3.2	0.3	-8.5	-4.9	4.9	2.3	22.2
Consumer Finance	3.2	0.3	-8.5	-4.9	4.9	2.3	22.2
Capital Markets	2.4	-3.2	-11.5	-9.5	32.4	15.4	6.9
Asset Management & Custody Banks	2.9	-1.3	-5.0	3.9	16.7	11.7	6.2
Investment Banking & Brokerage	2.1	-4.4	-15.0	-15.5	39.6	17.0	3.2
Insurance	3.2	-0.3	-8.6	-5.8	9.3	12.5	5.9
Insurance	3.2	-0.3	-8.6	-5.8	9.3	12.5	5.9
Insurance Brokers	0.4	0.2	-8.6	-0.9	-2.7	12.9	-24.2
Life & Health Insurance	3.0	0.6	-6.2	3.2	15.0	20.9	20.4
Multi-line Insurance	3.4	-1.1	-9.3	-8.6	6.4	7.8	2.7
Property & Casualty Insurance	3.7	-0.1	-9.7	-10.3	10.7	13.0	8.4
Real Estate	3.4	2.2	-4.6	-12.5	36.8	7.4	21.9
Real Estate						7.4	21.9
Real Estate Investment Trusts	3.8	2.9	-4.1	-12.5	36.9	7.4	21.9
Information Technology	**0.4**	**0.0**	**-0.5**	**8.4**	**7.7**	**0.4**	**2.1**
Software & Services	1.1	0.6	-2.6	2.9	7.7	-2.1	10.5

S&P Sectors and Industies	LAST WK	MTD	QTD	YTD	2006	2005	2004
	PERFORMANCE						
Internet Software & Services	3.9	3.2	-2.1	9.3	-20.7	4.0	66.8
Internet Software & Services	3.9	3.2	-2.1	9.3	-20.7	4.0	66.8
IT Services	-0.1	-1.3	-4.9	3.1	9.5	3.4	3.3
IT Consulting & Other Services	-0.1	0.6	4.1	5.3	19.1	-42.7	-31.4
Data Processing & Outsourced Services	-0.1	-1.6	-5.8	3.0	9.4	4.7	4.7
Software	0.3	0.2	-2.1	0.2	14.5	-4.2	9.0
Application Software	3.2	0.0	-3.3	2.6	5.3	10.6	11.6
Systems Software	-0.4	-0.2	-2.5	-0.4	16.9	-5.3	7.9
Home Entertainment Software	6.6	9.7	12.7	5.9	-3.7	-15.2	29.1
Technology Hardware & Equipment	-0.4	-0.5	1.3	12.1	14.9	-1.7	8.7
Communications Equipment	2.2	2.2	2.9	9.5	15.1	1.8	2.8
Communications Equipment	2.2	2.2	2.9	9.5	15.1	1.8	2.8
Computers & Peripherals	-1.7	-1.6	1.7	16.0	16.0	-3.9	14.8
Computer Hardware	-1.7	-1.2	2.6	18.0	17.8	-1.7	13.9
Computer Storage & Peripherals	-1.6	-4.4	-4.2	3.2	6.7	-17.1	20.9
Electronic Equipment & Instruments	-3.6	-5.7	-9.3	-5.0	-0.6	1.2	-8.5
Electronic Equipment Manufacturers	-5.1	-5.2	-6.2	4.7	10.8	15.8	-2.4
Electronic Manufacturing Services	-2.6	-5.9	-11.1	-14.0	-13.9	-11.9	-17.0
Office Electronics	-5.0	-8.0	-13.0	-5.2	15.7	-13.9	23.3
Office Electronics	-5.0	-8.0	-13.0	-5.2	15.7	-13.9	23.3
Semiconductors	1.4	0.2	-1.3	11.5	-9.9	11.2	-21.3
Semiconductors & Semiconductor Equipment	1.0	-0.3	-0.7	11.3	-8.1	10.0	-21.8
Semiconductors & Semiconductor Equipment	1.0	-0.3	-0.7	11.3	-8.1	10.0	-21.8
Semiconductor Equipment	-0.9	-2.6	2.5	9.2	5.3	2.0	-25.0
Telecommunication Services	**-2.3**	**-2.4**	**-5.2**	**7.6**	**32.1**	**-9.0**	**16.0**
Telecommunication Services	-2.3	-2.4	-5.2	7.6	32.1	-9.0	16.0
Diversified Telecommunication Services	-2.0	-1.7	-4.9	8.7	43.9	-8.9	9.3
Integrated Telecommunication Services	-2.0	-1.7	-4.9	8.7	43.9	-8.9	9.3
Wireless Telecommunication Services	-3.8	-5.9	-7.1	2.3	-3.4	1.6	57.3
Wireless Telecommunication Services	-3.8	-5.9	-7.1	2.3	-3.4	1.6	57.3
Utilities	**3.6**	**3.1**	**-0.8**	**6.4**	**16.9**	**12.8**	**19.6**
Utilities	3.6	3.1	-0.8	6.4	16.9	12.8	19.6
Electric Utilities	4.9	5.1	1.5	9.2	19.0	13.5	21.8
Electric Utilities	4.9	5.1	1.5	9.2	19.0	13.5	21.8
Gas Utilities	3.3	-0.4	-3.9	16.2	21.1	-6.6	9.9
Gas Utilities	3.3	-0.4	-3.9	16.2	21.1	-6.6	9.9
Multi-Utilities	3.9	3.0	-1.1	0.7	12.3	13.1	15.1
Multi-Utilities	3.9	3.0	-1.1	0.7	12.3	13.1	15.1
Independent Power Producers & Energy Traders	-1.7	-3.3	-8.2	8.7	24.4	-	-
Independent Power Producers & Energy Traders	-1.7	-3.3	-8.2	8.7	24.4	-	-

Broad Based Indexes	LAST WK	MTD	QTD	YTD	2006	2005	2004
	PERFORMANCE						
S&P 500 Index (Operating Basis)	1.4	-0.1	-3.3	2.5	13.6	3.0	9.0
Dow Jones 30 Industrials	0.4	0.2	-1.3	6.2	16.3	-0.6	3.1
Dow Jones 65 Composite	1.4	0.2	-1.7	7.3	13.3	7.1	13.2
Dow Jones Wilshire 5000 (Full cap)	1.4	-0.3	-3.7	2.7	13.9	4.6	10.8
Russell 1000	1.3	-0.3	-3.5	2.5	13.3	4.4	9.5
Russell 3000	1.5	-0.1	-3.6	2.3	13.7	4.3	10.1
NASDAQ Composite Index	1.3	-0.1	-2.2	5.4	9.5	1.4	8.6
S&P Mid Cap	1.3	-0.6	-4.9	5.9	9.0	11.3	15.2
Russell Mid Cap	0.8	-1.2	-4.9	3.9	13.5	11.0	18.4
Russell 2000	4.4	1.6	-5.4	0.1	17.0	3.3	17.0
S&P Small Cap	3.2	0.8	-4.4	3.3	14.1	6.7	21.6
Russell Micro Cap (TR)	2.8	-0.2	-7.2	-3.3	16.5	-	-

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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.