Barrington Research™
Economic and Investment Research

MARKET WEEK
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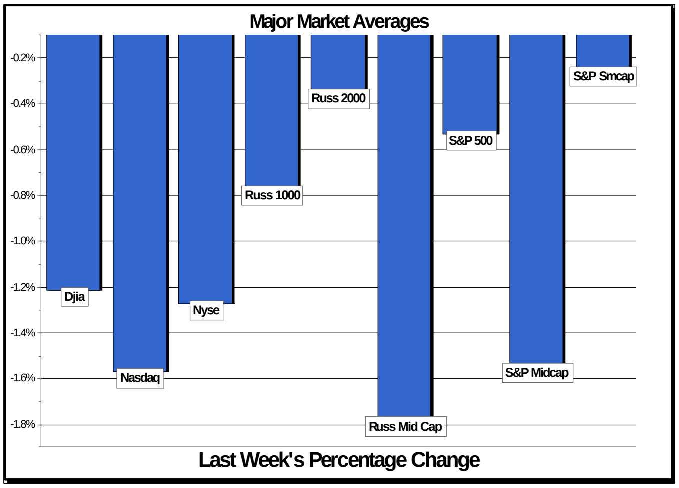
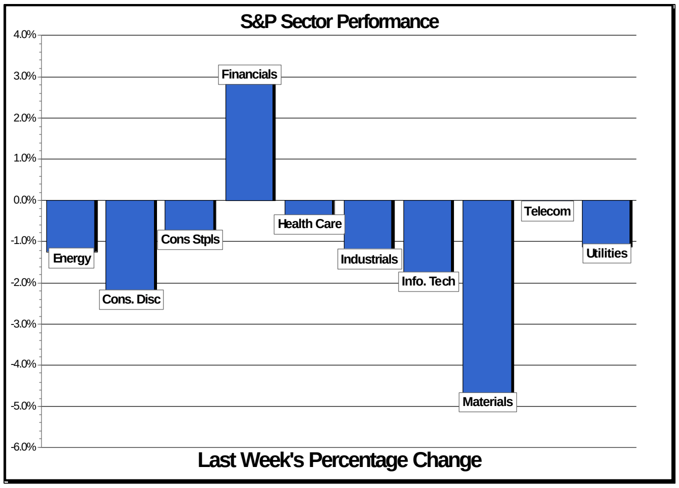
Alleviating Panic

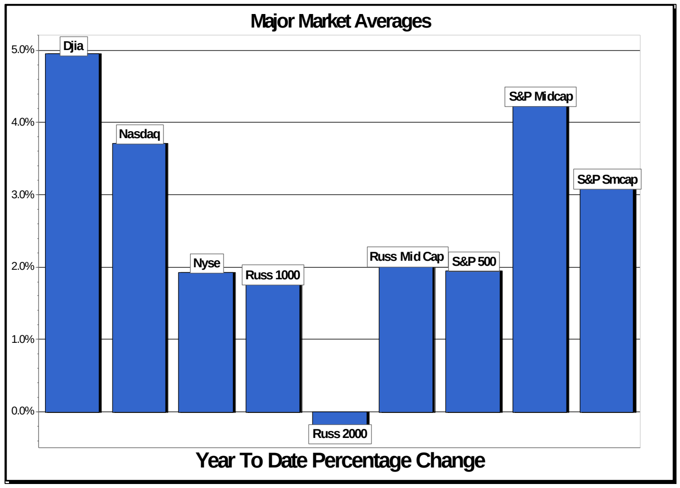
In our last issue we promised another week of high volatility and that's what we got. In fact, it would have been a minor miracle if we didn't get high volatility. Think back to the days of yesteryear (about two weeks in Wall Street time) when central banks around the world were still talking about raising interest rates because they were concerned that global economic growth was faster than they previously believed with the IMF raising forecasts, the world was awash with liquidity, and inflation was a big threat.



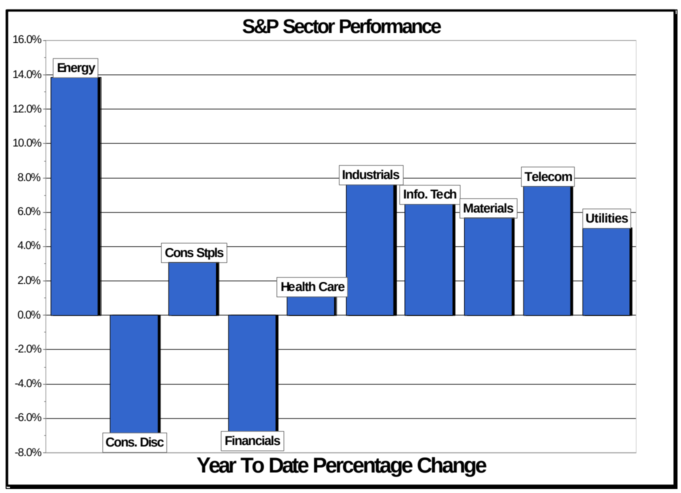
In short order, policy changed and they were suddenly injecting hundreds of billions of dollars into financial markets to provide liquidity (inflationary if they don't take it back soon). After injecting a couple of hundred billion into the market a week ago Thursday and Friday, the ECB noted on the following Monday that their next interest rate move was likely an increase. They then threw a few billion more of liquidity into the market. The Fed threw in about $60 billion on that same Thursday and Friday, just two days after it disappointed investors at its FOMC meeting by giving only token recognition to credit problems while reaffirming its primary inflation focus. Then last week, it injected more liquidity and capped off the week by reducing the discount rate by half a point and inviting banks to borrow funds for as much as 30 days as opposed to the usual one day.



Now, if any two Wall Street veterans ever agree on anything, it is that the market hates uncertainty. Should high volatility, therefore, be any surprise? In fairness to the Fed, you have to look at their actions from two perspectives. It has been more concerned about longer-term inflation and for that reason has put off lowering the Fed Funds rate from an already historically low level too soon. At the same time, emotions and panic were getting out of hand in the financial markets and the Fed along with other central banks are trying to stabilize them with *temporary* injections of money or a *symbolic* increase in discount rates. Left unsaid is the fact that the panic ultimately stemmed from distortions created by previous excessive monetary policy or that it seems like temporary monetary injections are seldom fully withdrawn when the need goes away. We can't help thinking about our recently fallen hero, Milton Friedman, who spent much of his life trying to convince the Fed that they would never get it right and were better off growing the money supply at a modest, steady rate and allowing free markets to make the adjustments.



At any rate, we just finished another week in the stock market where a small change for the week masked huge volatility where most daily changes in the DJIA were in triple digits. In fact, after two triple-digit declines on Tuesday and Wednesday followed by an even larger plunge early Thursday, the DJIA leaped well over 500 points from the intraday low on Thursday (-344) to the close on Friday (+233) which broke a six-day losing streak. There are likely some market technicians that are already calling the late-week turnaround a classic selling climax and expect more big gains ahead. But most such phenomena in the past have been due to internal dynamics of the market rather than related to news. Most of the Friday advance was in reaction to the Fed's surprise half-point reduction in the discount rate. Moreover, much of the late Thursday rebound was based on speculation that the Fed might have an emergency meeting prior to the scheduled September 18 FOMC meeting to cut rates. The early Thursday market climate was like a perfect storm for stocks with a steep sell-off in overseas markets on fears the U.S. credit problems would reduce global economic growth, plunging commodity prices, fears of the imminent failure of the largest U.S. mortgage issuer, comments by the St Louis Fed president opposed to Fed rate cuts and continuing dismal housing statistics. The end of week rebound was clearly a relief rally.



All the market averages were down for the week but with only a few down more than 1%, including the DJIA (-1.2%) and the Nasdaq (-1.6%). Not surprisingly, all the S&P market sectors were also lower except for the financial sector (+2.8% but all of its gain and then some came on Friday (+4.1%) in response to the Fed rate cut). Only three sectors outperformed the S&P 500 (-0.5%) though its performance was significantly enhanced by the its financial components which has the biggest weighting in the S&P. The other two sectors outperforming the S&P 500 were both defensive in nature. In contrast, all cyclical sectors significantly underperformed—material (-4.7%), consumer discretionary (-2.2%), technology (-1.8%), energy (-1.2%) and industrials (-0.8%).

But for investors betting that an important market bottom was made due to the Fed's recent action, they should be looking not at the relative sector performance for last week for their portfolio strategy but at Friday's performance because there was also a major reversal in relative sector performance on that day. As noted, the financial sector led the Friday rebound (+4.1%) but the next four strongest performers were all cyclical in nature, just the opposite from the full week rankings. Energy was up 3.7% despite flat crude oil prices for the week (+0.7%). The sector moved with the general rebound in commodity stocks. The materials sector was up 1.4% on Friday though still down 4.7% for the week on the plunge in commodity prices. The technology and industrials sectors were each up 1.0%.

The Week Ahead: Been There, Done That

Were the Fed and other central banks successful in halting the market decline and establishing a bottom in the market last week? Since the most recent heavy selling was largely emotional (bordering on panic), it is certainly possible. Most technicians, however, would probably argue that there was considerable technical demand done to the market that can only be by more backing and filling at the minimum. We continue to believe that underlying fundamentals are still healthy, even assuming that the credit situation will have some deleterious effects on growth.

On a nearer-term basis, after the wild volatility of news of the last two weeks, it is going devoid of economic news, not that investors paid much attention to the heavy calendar last week. The second quarter earnings season is about over and it's too early to start contemplating third quarter earnings. With 93% of S&P 500 companies having reported, it looks like second quarter earnings were up 8.1%, compared to a 4.1% forecast on July 1. But investors have been largely ignoring that news as well over the past few weeks.

That leaves investors who aren't taking last minute summer vacations with lots of time on their hands to contemplate the so-called credit crunch and just what the central banks have been doing for the past week, worrying about inflation while at the same time injecting hundreds of billions of dollars into the financial markets. They may also be contemplating whether the *central bank liquidity fix* was sufficient or whether anything was seriously broken in the first place. Or they may simply wait around to see who the next credit victim will be. The nice thing about bad news is that it has to keep getting worse to have the same negative effect and the stock market will stop falling long before the problems they were concerned about completely disappear. New hedge fund liquidation? Mortgage banker bankruptcy? Bad housing numbers? Central bank bailout? *Been there, done that.* Maybe investors will just take a rest this week and everyone forecasting even more volatility will be fooled as it moderates. Investors take a rest or a vacation because when all the smoke clears, we will in all likelihood settle back into the prior scenario of slow U.S. economic growth and continued healthy overseas growth, though with some moderation in China and India but with higher (read more normal) cost of money and greater appreciation for risk. If so, then the great perceived *credit crunch* of 2007 will have served a good purpose. In short, it is a good time to get back to the fundamentals. If not, take a breather before getting caught up in another week of emotion with chances of making some really bad decisions.

The Fed will be a major topic of conversation in the week ahead, not so much related to any new developments but discussions and opinions about what has already been done. Was the bailout sufficient or is there more to come? Does the liquidity injection and discount rate cut assure that the Fed will follow with the long-awaited reduction in the Fed Funds rate? Many are now betting that it is coming at the September 18 FOMC meeting or even before at a special meeting. That leaves some room for disappointment. The Bank of Japan is having its two-day interest rate meeting this week, which may give some insight as to attitude among central banks. It is expected to hold rates unchanged.

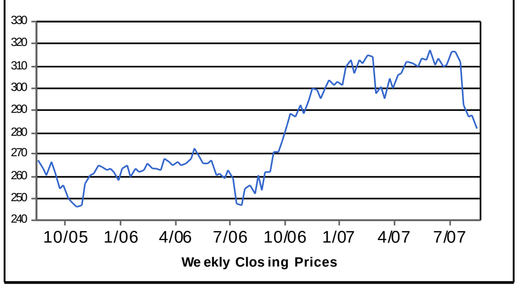
Economic News

The economics calendar will be especially sparse in the week ahead with only a couple of key reports that would spark investor interest and both of them on Friday, which is a good place to start. The first, the preliminary July report on ***durable factory orders***, should show a reasonably good increase of a little over 1% following a 1.3% June increase. Civilian aircraft orders will be a big contributor in both months. Core capital goods orders should also show a good 1% increase after two months of declines.

New home sales, also on Friday, should not be too much different from the 840,000 annual rate in June but that is not saying much since the June rate was down around 40% from the previous peak. Mortgage rates should be edging lower which could help near-term sales but we should see at most a temporary stabilization. The Conference Board's index of ***leading indicators*** on Monday will bring investors some cheer with a 0.4% increase for July following a 0.3% decline in June with possibly only one of the ten component indicators showing a decline. Combined with the central bank bailouts of the previous week, it might help continue Friday's rally into the new week. But aside from the usually weekly reports on ***unemployment claims***, ***retail chain store sales***, and ***mortgage applications*** that is the sum total of economic reports in a very quiet week.

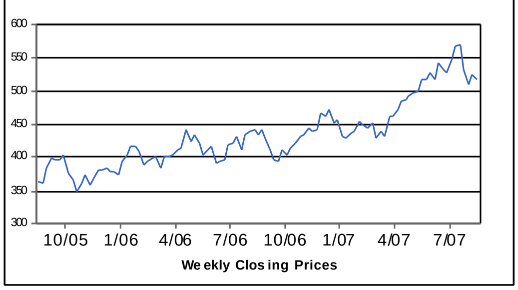
S&P Sector Performance

S&P Consumer Discretionary Sector

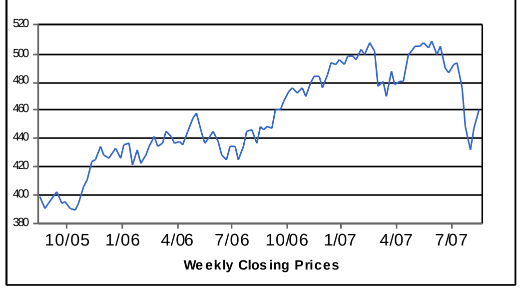


S&P Consumer Staples Sector

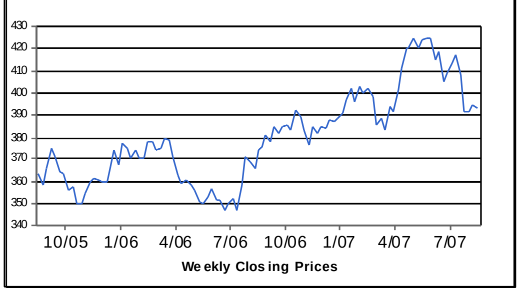
S&P Energy Sector



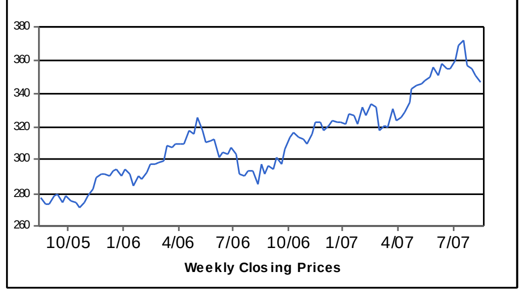
S&P Financials Sector



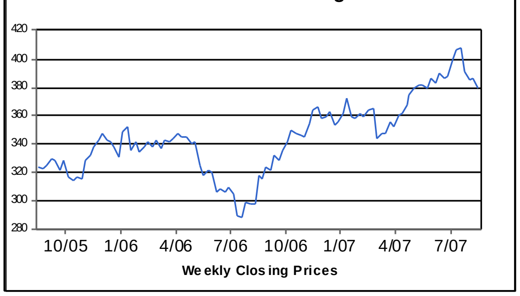
S&P Health Care Sector



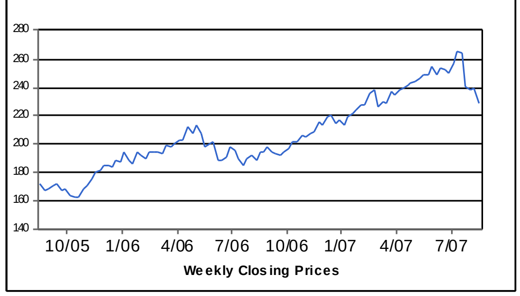
S&P Industrials Sector



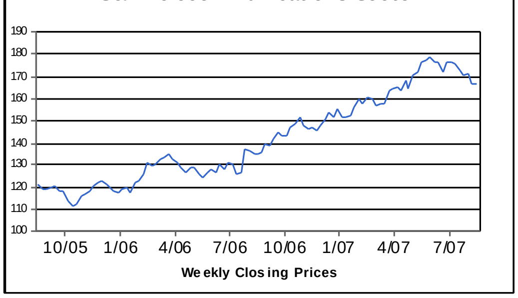
S&P Information Technologies Sector



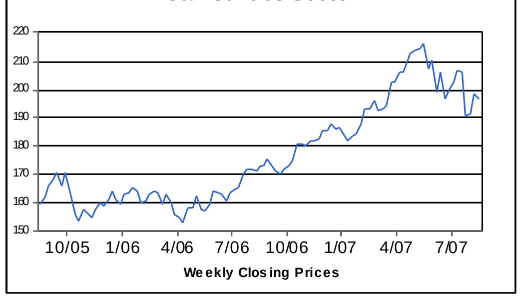
S&P Materials Sector



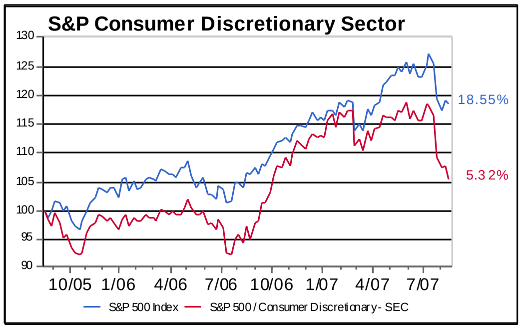
S&P Telecommunications Sector

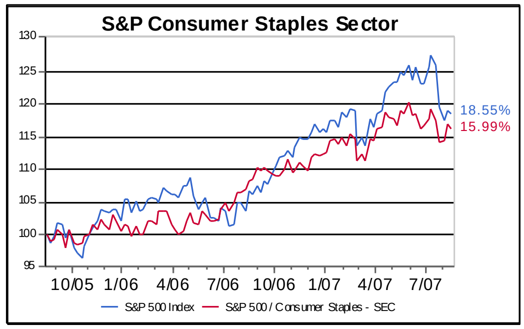


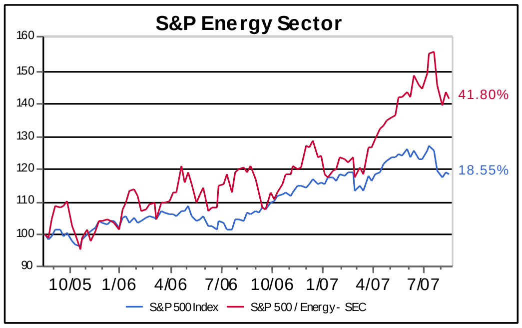
S&P Utilities Sector

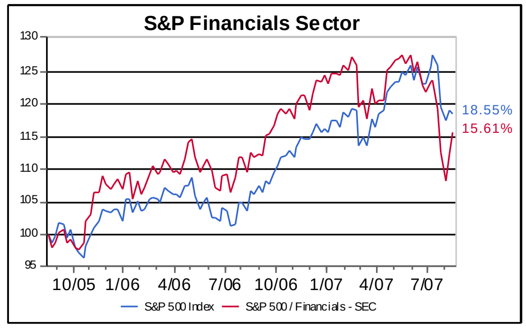


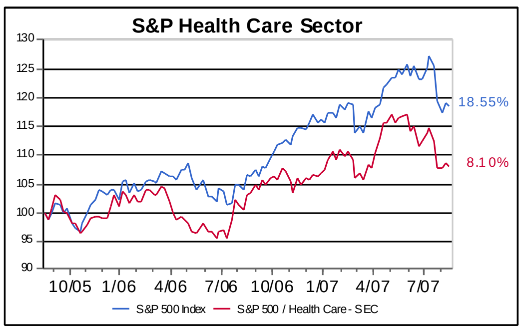
S&P Sector Relative Performance vs. S&P 500 Index

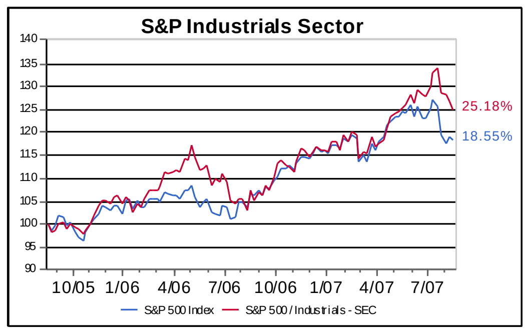


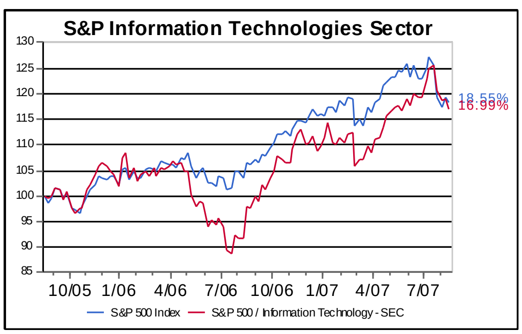


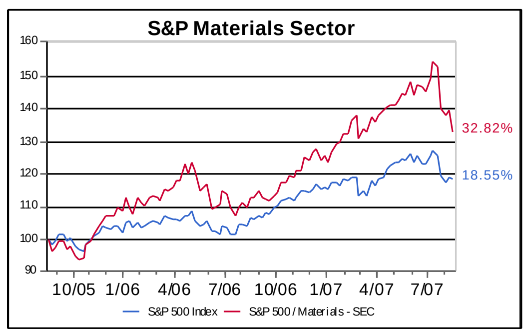


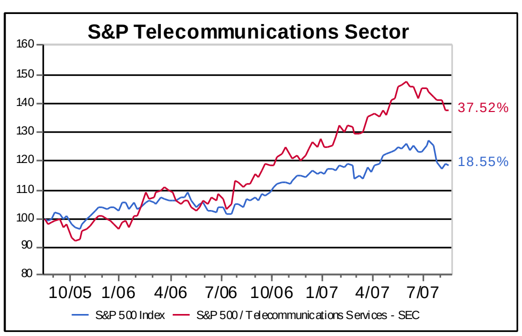


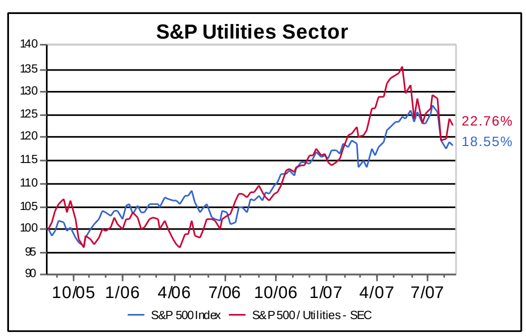




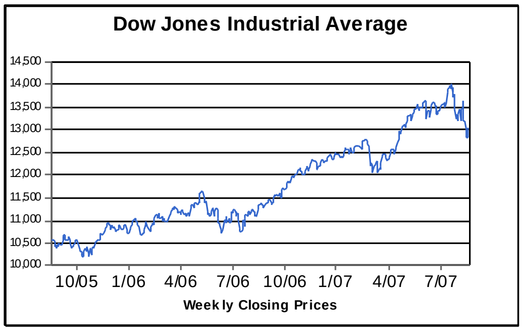


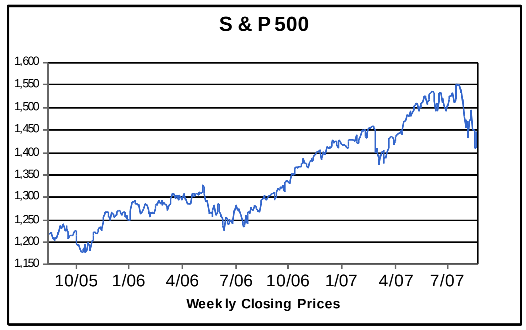


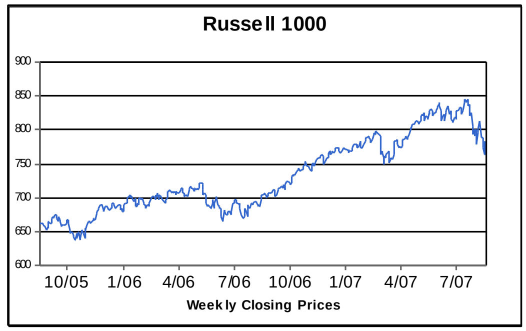


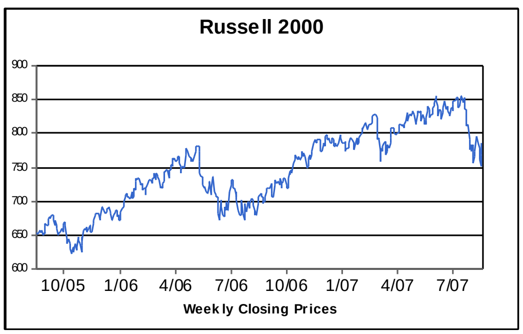


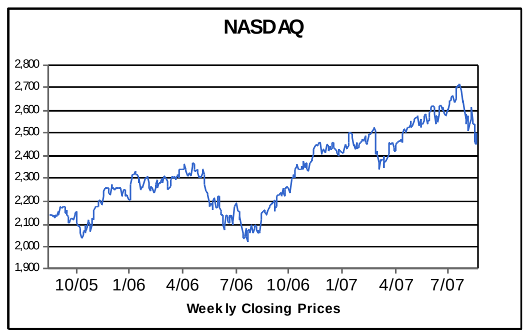
Major Market Averages

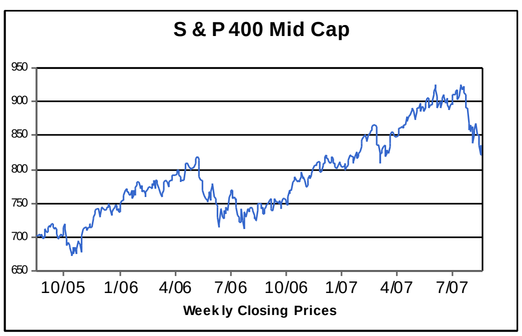


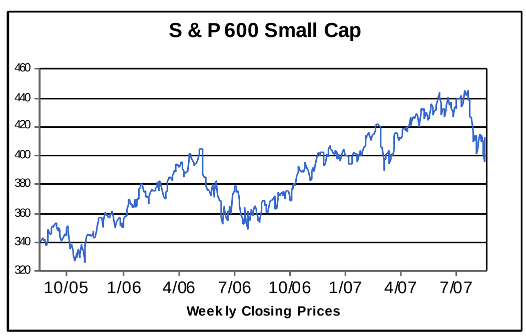












S&P Sectors and Industies	LAST WK	MTD	QTD	YTD	2006	2005	2004
	PERFORMANCE						
Energy	**-1.2**	**-2.8**	**-2.1**	**13.8**	**22.2**	**29.1**	**28.8**
Energy	-1.2	-2.8	-2.1	13.8	22.2	29.1	28.8
Energy Equipment & Services	-3.6	-6.5	-1.9	25.0	11.8	49.0	34.2
Oil & Gas Drilling	-2.8	-7.4	-7.3	16.2	3.1	53.1	45.1
Oil & Gas Equipment & Services	-3.8	-6.3	-0.2	27.8	14.8	47.3	30.3
Oil Gas & Consumable Fuels	-0.6	-1.8	-2.2	11.4	24.7	25.3	27.9
Oil & Gas Exploration & Production	-2.0	-0.9	-5.0	14.3	4.0	65.2	33.4
Oil & Gas Storage & Transportation	-4.1	-6.3	-7.0	-1.0	16.6	-	-
Integrated Oil & Gas	0.1	-1.6	-0.5	11.3	31.9	15.1	25.6
Oil & Gas Refining & Marketing	-5.4	-3.1	-13.4	22.3	-5.7	77.3	61.5
Materials	**-4.7**	**-6.3**	**-8.5**	**5.7**	**15.7**	**2.2**	**10.8**
Materials	-4.7	-6.3	-8.5	5.7	15.7	2.2	10.8
Chemicals	-4.2	-2.7	-4.0	7.8	13.5	-3.0	16.5
Diversified Chemicals	-2.5	-3.0	-6.5	0.8	7.1	-12.5	12.6
Fertilizers & Agricultural Chemicals	-7.6	-2.1	-6.6	20.1	35.5	39.6	93.0
Industrial Gases	-7.1	-3.6	3.0	21.8	14.9	11.4	12.7
Specialty Chemicals	-1.7	-1.2	0.2	3.5	20.6	2.1	13.4
Construction Materials	-8.0	-7.6	-22.8	-1.6	32.6	24.1	14.8
Construction Materials	-8.0	-7.6	-22.8	-1.6	32.6	24.1	14.8
Containers & Packaging	-2.0	-3.8	-10.0	-2.8	19.4	2.0	14.4
Metal & Glass Containers	-3.3	-5.3	-7.6	-2.7	32.2	-11.0	25.7
Paper Packaging	-1.1	-2.7	-11.5	-2.9	11.9	11.7	6.9
Metals & Mining	-6.6	-11.9	-12.2	7.4	23.6	17.2	0.4
Aluminum	-4.0	-12.9	-17.9	10.9	1.5	-5.9	-17.3
Diversified Metals & Mining	-11.1	-18.2	-7.1	34.7	44.6	48.8	9.7
Gold	-4.8	-4.5	2.1	-11.7	-15.4	20.2	-8.6
Steel	-5.8	-9.0	-17.3	-0.8	75.8	20.7	58.1
Paper & Forest Products	-2.3	-9.3	-16.1	-4.2	2.6	-4.7	7.4
Forest Products	-2.1	-8.8	-17.6	-8.0	2.1	-0.7	10.3
Paper Products	-2.3	-9.7	-15.0	-2.0	3.1	-6.6	5.9
Industrials	**-1.3**	**-3.0**	**-2.0**	**7.7**	**11.0**	**0.4**	**16.0**
Capital Goods	-0.8	-2.6	-1.5	9.3	12.4	0.2	16.7
Aerospace & Defense	-0.9	-2.8	0.7	12.2	23.1	14.0	14.0
Aerospace & Defense	-0.9	-2.8	0.7	12.2	23.1	14.0	14.0
Building Products	-2.9	-6.8	-12.8	-5.1	4.7	-12.4	29.4
Building Products	-2.9	-6.8	-12.8	-5.1	4.7	-12.4	29.4
Construction & Engineering	-5.0	-0.5	3.2	40.7	5.7	41.7	37.5
Construction & Engineering	-5.0	-0.5	3.2	40.7	5.7	41.7	37.5
Electrical Equipment	-0.9	-2.6	-3.3	6.7	17.3	8.3	11.8
Electrical Components & Equipment	-0.9	-2.6	-3.3	6.7	17.3	8.3	11.8
Industrial Conglomerates	0.4	-1.5	-0.7	4.3	5.7	-6.1	16.9
Industrial Conglomerates	0.4	-1.5	-0.7	4.3	5.7	-6.1	16.9
Machinery	-3.1	-4.7	-5.0	19.0	16.4	-0.6	18.6
Construction & Farm Machinery & Heavy Trucks	-3.3	-5.7	-4.7	25.4	20.6	2.6	21.0
Industrial Machinery	-2.8	-3.6	-5.4	12.8	12.7	-3.1	16.8
Trading Companies & Distributors	-2.0	-3.1	-9.0	21.0	-1.6	6.7	40.6
Trading Companies & Distributors	-2.0	-3.1	-9.0	21.0	-1.6	6.7	40.6
Commercial Services & Supplies	-1.8	-6.5	-10.7	-6.9	9.0	-3.8	4.9
Commercial Services & Supplies	-1.8	-6.5	-10.7	-6.9	9.0	-3.8	4.9
Commercial Printing	-3.0	-16.7	-19.1	-0.9	3.9	-3.1	17.0
Diversified Commercial & Professional Services	-1.3	-3.7	-11.6	-7.8	2.4	-12.7	2.5
Human Resource & Employment Services	-2.4	-6.5	-12.3	-18.2	5.1	25.3	36.9
Environmental & Facilities Services	-0.4	-5.4	-8.1	-2.0	23.2	0.1	-5.9
Office Services & Supplies	-3.3	-4.0	-7.6	-7.6	14.3	-8.2	11.2
Transportation	-3.2	-3.7	-2.0	4.4	5.6	3.5	19.6
Air Freight & Logistics	-0.8	-0.2	1.6	0.4	1.6	-8.1	21.1
Air Freight & Logistics	-0.8	-0.2	1.6	0.4	1.6	-8.1	21.1

S&P Sectors and Industies	LAST WK	MTD	QTD	YTD	2006	2005	2004
	PERFORMANCE						
Airlines	-7.1	-4.0	0.9	-1.8	-6.8	-5.1	-3.0
Airlines	-7.1	-4.0	0.9	-1.8	-6.8	-5.1	-3.0
Road & Rail	-5.6	-7.7	-6.4	10.4	13.5	30.9	23.0
Railroads	-5.7	-7.9	-6.5	10.6	13.5	30.9	23.0
Consumer Discretionary	**-2.2**	**-3.5**	**-9.1**	**-7.0**	**17.2**	**-7.4**	**12.1**
Automobiles & Components	-5.4	-5.1	-13.1	3.1	22.4	-34.9	-4.8
Auto Components	-4.1	-3.9	-9.5	26.8	10.5	-19.6	5.6
Auto Parts & Equipment	-5.5	-4.0	-6.1	26.5	10.7	-23.8	0.6
Tires & Rubber	1.6	-3.6	-20.3	31.9	24.6	1.8	40.6
Automobiles	-6.1	-5.7	-15.0	-6.7	28.1	-40.6	-8.2
Automobile Manufacturers	-7.4	-6.8	-18.1	1.6	23.6	-49.2	-16.9
Motorcycle Manufacturers	-2.8	-3.0	-6.7	-21.1	36.9	-15.2	27.8
Consumer Durables & Apparel	-3.8	-3.5	-10.2	-8.5	4.6	0.4	21.9
Household Durables	-5.0	-3.0	-10.3	-15.5	-6.9	8.5	20.3
Consumer Electronics	-1.6	-3.7	-4.4	11.8	20.7	0.0	0.0
Home Furnishings	0.5	-3.7	-9.5	-16.5	4.1	-19.2	31.4
Homebuilding	-11.8	-4.7	-18.6	-41.6	-20.9	25.8	32.9
Household Appliances	-1.6	-3.5	-8.5	10.0	1.4	4.3	20.8
Housewares & Specialties	-3.6	-0.4	-5.1	-6.6	14.0	4.0	6.0
Leisure Equipment & Products	-2.8	-0.9	-11.0	-2.3	18.3	-18.8	14.8
Leisure Products	-2.8	-3.9	-14.1	-4.8	22.5	-13.8	9.4
Photographic Products	-2.7	5.6	-4.2	3.4	10.3	-27.4	25.6
Textiles Apparel & Luxury Goods	-2.5	-5.1	-9.9	-0.7	22.9	0.6	28.5
Apparel Accessories & Luxury Goods	-2.6	-6.1	-11.8	-6.1	28.5	2.5	27.0
Footwear	-2.3	-3.5	-6.6	10.0	15.6	-0.6	30.1
Consumer Services	-2.6	-2.1	-4.8	-2.9	18.5	-0.2	37.7
Hotels Restaurants & Leisure	-2.6	-1.9	-4.3	-3.7	22.4	2.0	37.7
Casinos & Gaming	-1.0	-1.9	-7.2	-12.4	31.1	-5.0	8.2
Hotels Resorts & Cruise Lines	-2.1	-2.4	-2.0	-2.5	13.1	0.3	44.1
Restaurants	-3.4	-1.5	-5.0	-1.8	25.3	5.1	41.0
Diversified Consumer Services	-2.5	-4.6	-10.7	8.9	-21.3	-	-
Education Services	-2.9	-5.6	-4.5	43.1	-35.5	-	-
Specialized Consumer Services	-2.1	-3.3	-17.5	-16.3	-6.2	-	-
Media	-1.4	-3.9	-9.2	-9.5	29.3	-13.4	-3.4
Media	-1.4	-3.9	-9.2	-9.5	29.3	-13.4	-3.4
Advertising	-3.0	-0.6	-4.0	-4.7	23.9	-6.8	-6.5
Broadcasting & Cable TV	-0.2	-3.6	-8.9	-8.0	42.8	-16.9	-9.1
Movies & Entertainment	-1.5	-2.9	-7.9	-8.9	27.2	-12.4	0.6
Publishing	-4.2	-10.9	-19.1	-18.6	13.2	-14.2	-4.2
Retailing	-1.6	-3.6	-10.1	-7.2	9.4	-1.1	21.6
Distributors	2.0	3.1	-1.1	3.5	8.0	-0.3	32.7
Distributors	2.0	3.1	-1.1	3.5	8.0	-0.3	32.7
Internet & Catalog Retail	0.2	-4.6	1.6	43.8	-11.8	-25.3	80.0
Internet Retail	0.2	-4.6	1.6	43.8	-11.8	-25.3	80.0
Multiline Retail	0.0	-1.7	-10.8	-4.6	20.2	7.9	21.2
Department Stores	1.3	-3.1	-14.3	-13.1	33.4	13.3	20.0
General Merchandise Stores	-1.6	0.1	-6.4	7.4	4.7	1.8	22.5
Specialty Retail	-2.9	-4.8	-11.3	-13.3	5.5	2.1	11.5
Apparel Retail	3.6	2.5	-3.6	-8.6	20.4	-9.7	6.8
Computer & Electronics Retail	-2.8	-3.5	-12.5	-10.1	5.2	4.4	15.9
Home Improvement Retail	-5.6	-7.9	-13.5	-14.8	-1.4	1.6	15.1
Specialty Stores	-0.9	-3.3	-11.8	-19.1	20.7	17.6	4.9
Automotive Retail	-0.2	-5.2	-13.9	-2.2	14.5	-	-
Homefurnishing Retail	-3.1	-1.1	-4.8	-10.1	5.4	-	-
Consumer Staples	**-0.8**	**1.9**	**-0.6**	**3.2**	**11.8**	**1.3**	**6.0**
Food & Staples Retailing	-3.3	-0.2	-3.5	1.0	5.7	-5.2	2.6
Food & Staples Retailing	-3.3	-0.2	-3.5	1.0	5.7	-5.2	2.6
Drug Retail	-2.4	4.1	2.7	8.3	8.0	15.9	10.8
Food Distributors	3.2	4.9	1.3	-9.1	18.4	-18.7	2.5

S&P Sectors and Industies	LAST WK	MTD	QTD	YTD	2006	2005	2004
	PERFORMANCE						
Food Retail	0.4	1.9	-5.5	3.5	15.7	4.3	-3.4
Hypermarkets & Super Centers	-6.0	-4.8	-7.9	-3.0	0.1	-9.5	1.7
Food Beverage & Tobacco	0.1	2.0	-1.4	5.1	14.4	3.8	5.4
Beverages	0.1	4.0	2.8	9.0	11.9	1.3	-4.8
Brewers	-2.5	-3.2	-9.3	-2.7	14.3	-15.3	-1.9
Distillers & Vintners	-1.3	9.3	-1.0	-3.5	3.3	25.2	4.2
Soft Drinks	0.6	5.1	5.3	12.0	12.0	4.5	-5.7
Food Products	-0.3	-0.6	-5.5	1.2	15.8	-8.3	18.6
Agricultural Products	-5.2	-2.8	-1.3	2.2	29.6	10.5	46.6
Packaged Foods & Meats	0.4	-0.3	-6.0	0.5	13.5	-10.5	16.2
Tobacco	0.4	1.6	-3.5	3.7	17.0	19.8	13.6
Tobacco	0.4	1.6	-3.5	3.7	17.0	19.8	13.6
Household & Personal Products	0.0	3.8	4.6	1.6	12.6	4.4	12.2
Household Products	0.1	4.6	5.6	1.5	12.3	2.4	10.2
Household Products	0.1	4.6	5.6	1.5	12.3	2.4	10.2
Personal Products	-1.7	-6.4	-8.1	2.3	15.4	16.3	19.4
Personal Products	-1.7	-6.4	-8.1	2.3	15.4	16.3	19.4
Health Care	**-0.4**	**0.5**	**-3.9**	**1.1**	**5.8**	**4.9**	**0.2**
Health Care Equipment & Services	0.4	1.2	-2.7	4.8	-0.2	17.4	17.3
Health Care Equipment & Supplies	-1.3	0.7	-3.5	1.8	3.2	-0.1	12.3
Health Care Equipment	-1.3	0.8	-3.3	1.6	3.4	-0.5	12.1
Health Care Supplies	-0.5	-3.6	-11.2	18.4	-2.9	16.9	20.9
Health Care Providers & Services	1.7	1.5	-1.9	6.8	-2.3	34.2	22.6
Health Care Distributors	2.6	3.3	-2.1	9.2	-1.8	28.8	-2.9
Health Care Services	-1.9	-0.1	1.9	28.9	4.9	32.2	17.4
Health Care Facilities	-5.5	-11.3	-20.0	-10.7	1.2	10.4	-10.9
Managed Health Care	2.9	2.0	-2.1	0.7	-6.6	42.7	52.7
Pharmaceuticals & Biotechnology	-0.8	0.2	-4.5	-0.8	9.9	-2.0	-7.1
Biotechnology	1.1	-2.5	-3.4	-4.3	-2.7	18.3	7.6
Biotechnology	1.1	-2.5	-3.4	-4.3	-2.7	18.3	7.6
Pharmaceuticals	-1.0	0.8	-4.9	-0.5	12.6	-5.9	-9.5
Pharmaceuticals	-1.0	0.8	-4.9	-0.5	12.6	-5.9	-9.5
Financials	**2.8**	**3.2**	**-5.0**	**-6.9**	**16.2**	**3.7**	**8.2**
Banks	4.0	6.1	-2.5	-7.4	12.3	-4.8	10.9
Commercial Banks	5.2	6.3	-1.3	-6.5	11.5	-2.2	11.1
Diversified Banks	6.9	8.1	0.9	-5.0	12.0	-1.2	13.5
Regional Banks	3.1	4.1	-4.1	-8.3	10.9	-4.2	6.4
Thrifts & Mortgage Finance	0.5	5.2	-5.9	-10.0	13.4	-13.0	10.4
Thrifts & Mortgage Finance	0.5	5.2	-5.9	-10.0	13.4	-13.0	10.4
Diversified Financials	2.6	2.3	-5.8	-7.6	20.7	7.2	5.9
Diversified Financial Services	4.4	5.9	-1.7	-7.4	15.9	2.9	0.2
Other Diversified Financial Services	5.4	6.9	-0.7	-6.7	16.3	1.5	-1.0
Specialized Finance	-7.3	-5.1	-12.1	-14.0	4.5	29.0	42.6
Consumer Finance	-0.9	-0.5	-9.3	-5.7	4.9	2.3	22.2
Consumer Finance	-0.9	-0.5	-9.3	-5.7	4.9	2.3	22.2
Capital Markets	1.1	-2.2	-10.6	-8.5	32.4	15.4	6.9
Asset Management & Custody Banks	1.5	0.2	-3.5	5.5	16.7	11.7	6.2
Investment Banking & Brokerage	0.8	-3.6	-14.3	-14.8	39.6	17.0	3.2
Insurance	2.7	2.5	-6.0	-3.2	9.3	12.5	5.9
Insurance	2.7	2.5	-6.0	-3.2	9.3	12.5	5.9
Insurance Brokers	1.2	1.4	-7.5	0.3	-2.7	12.9	-24.2
Life & Health Insurance	2.5	3.1	-3.9	5.7	15.0	20.9	20.4
Multi-line Insurance	2.6	1.5	-7.0	-6.2	6.4	7.8	2.7
Property & Casualty Insurance	3.5	3.4	-6.6	-7.2	10.7	13.0	8.4
Real Estate	-0.2	2.0	-4.8	-12.7	36.8	7.4	21.9
Real Estate						7.4	21.9
Real Estate Investment Trusts	0.0	2.9	-4.0	-12.5	36.9	7.4	21.9
Information Technology	**-1.8**	**-1.8**	**-2.3**	**6.5**	**7.7**	**0.4**	**2.1**
Software & Services	-2.1	-1.4	-4.6	0.7	7.7	-2.1	10.5

S&P Sectors and Industies	LAST WK	MTD	QTD	YTD	2006	2005	2004
	PERFORMANCE						
Internet Software & Services	-3.3	-0.2	-5.4	5.7	-20.7	4.0	66.8
Internet Software & Services	-3.3	-0.2	-5.4	5.7	-20.7	4.0	66.8
IT Services	-1.7	-3.0	-6.5	1.4	9.5	3.4	3.3
IT Consulting & Other Services	-8.5	-7.9	-4.7	-3.7	19.1	-42.7	-31.4
Data Processing & Outsourced Services	-0.9	-2.5	-6.7	2.1	9.4	4.7	4.7
Software	-1.6	-1.4	-3.6	-1.4	14.5	-4.2	9.0
Application Software	-0.7	-0.7	-4.0	1.9	5.3	10.6	11.6
Systems Software	-1.7	-1.9	-4.2	-2.1	16.9	-5.3	7.9
Home Entertainment Software	-1.6	7.9	10.9	4.2	-3.7	-15.2	29.1
Technology Hardware & Equipment	-1.6	-2.0	-0.2	10.3	14.9	-1.7	8.7
Communications Equipment	-3.1	-0.9	-0.3	6.1	15.1	1.8	2.8
Communications Equipment	-3.1	-0.9	-0.3	6.1	15.1	1.8	2.8
Computers & Peripherals	-0.7	-2.3	1.0	15.2	16.0	-3.9	14.8
Computer Hardware	-1.1	-2.2	1.5	16.7	17.8	-1.7	13.9
Computer Storage & Peripherals	1.9	-2.6	-2.4	5.2	6.7	-17.1	20.9
Electronic Equipment & Instruments	0.0	-5.7	-9.3	-5.0	-0.6	1.2	-8.5
Electronic Equipment Manufacturers	-5.1	-10.1	-11.0	-0.7	10.8	15.8	-2.4
Electronic Manufacturing Services	3.1	-3.0	-8.3	-11.3	-13.9	-11.9	-17.0
Office Electronics	0.9	-7.2	-12.3	-4.4	15.7	-13.9	23.3
Office Electronics	0.9	-7.2	-12.3	-4.4	15.7	-13.9	23.3
Semiconductors	-1.8	-1.6	-3.1	9.5	-9.9	11.2	-21.3
Semiconductors & Semiconductor Equipment	-1.9	-2.2	-2.6	9.2	-8.1	10.0	-21.8
Semiconductors & Semiconductor Equipment	-1.9	-2.2	-2.6	9.2	-8.1	10.0	-21.8
Semiconductor Equipment	-2.3	-4.8	0.1	6.7	5.3	2.0	-25.0
Telecommunication Services	**-0.1**	**-2.5**	**-5.3**	**7.5**	**32.1**	**-9.0**	**16.0**
Telecommunication Services	-0.1	-2.5	-5.3	7.5	32.1	-9.0	16.0
Diversified Telecommunication Services	0.2	-1.5	-4.6	9.0	43.9	-8.9	9.3
Integrated Telecommunication Services	0.2	-1.5	-4.6	9.0	43.9	-8.9	9.3
Wireless Telecommunication Services	-1.7	-7.6	-8.8	0.5	-3.4	1.6	57.3
Wireless Telecommunication Services	-1.7	-7.6	-8.8	0.5	-3.4	1.6	57.3
Utilities	**-1.1**	**2.0**	**-1.9**	**5.2**	**16.9**	**12.8**	**19.6**
Utilities	-1.1	2.0	-1.9	5.2	16.9	12.8	19.6
Electric Utilities	-1.4	3.6	0.1	7.7	19.0	13.5	21.8
Electric Utilities	-1.4	3.6	0.1	7.7	19.0	13.5	21.8
Gas Utilities	-4.1	-4.4	-7.8	11.5	21.1	-6.6	9.9
Gas Utilities	-4.1	-4.4	-7.8	11.5	21.1	-6.6	9.9
Multi-Utilities	-0.9	2.1	-2.0	-0.2	12.3	13.1	15.1
Multi-Utilities	-0.9	2.1	-2.0	-0.2	12.3	13.1	15.1
Independent Power Producers & Energy Traders	0.0	-3.3	-8.2	8.7	24.4	-	-
Independent Power Producers & Energy Traders	0.0	-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)	-0.5	-0.6	-3.8	1.9	13.6	3.0	9.0
Dow Jones 30 Industrials	-1.2	-1.0	-2.5	4.9	16.3	-0.6	3.1
Dow Jones 65 Composite	-2.0	-1.8	-3.6	5.2	13.3	7.1	13.2
Dow Jones Wilshire 5000 (Full cap)	-0.7	-1.0	-4.5	1.9	13.9	4.6	10.8
Russell 1000	-0.8	-1.1	-4.2	1.8	13.3	4.4	9.5
Russell 3000	-0.7	-0.9	-4.4	1.6	13.7	4.3	10.1
NASDAQ Composite Index	-1.6	-1.6	-3.8	3.7	9.5	1.4	8.6
S&P Mid Cap	-1.5	-2.1	-6.4	4.2	9.0	11.3	15.2
Russell Mid Cap	-1.8	-2.9	-6.6	2.0	13.5	11.0	18.4
Russell 2000	-0.3	1.3	-5.7	-0.2	17.0	3.3	17.0
S&P Small Cap	-0.3	0.5	-4.6	3.1	14.1	6.7	21.6
Russell Micro Cap (TR)	-2.1	-2.2	-9.0	-5.1	16.5	-	-

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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.

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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."
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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.

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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.