



Barrington ResearchTM

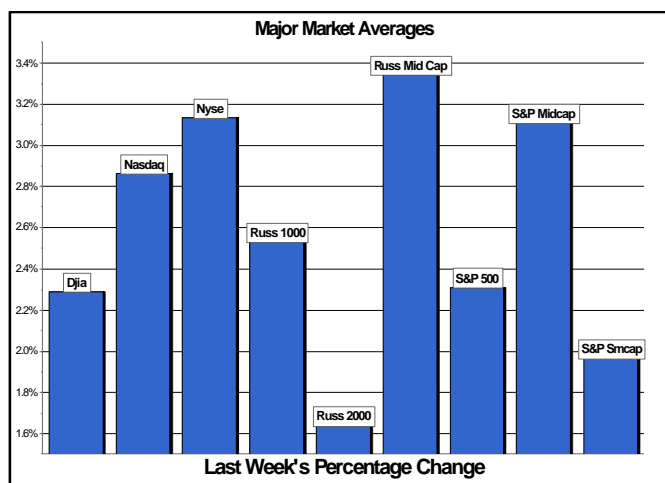
Economic and Investment Research

MARKET WEEK
August 27, 2007

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

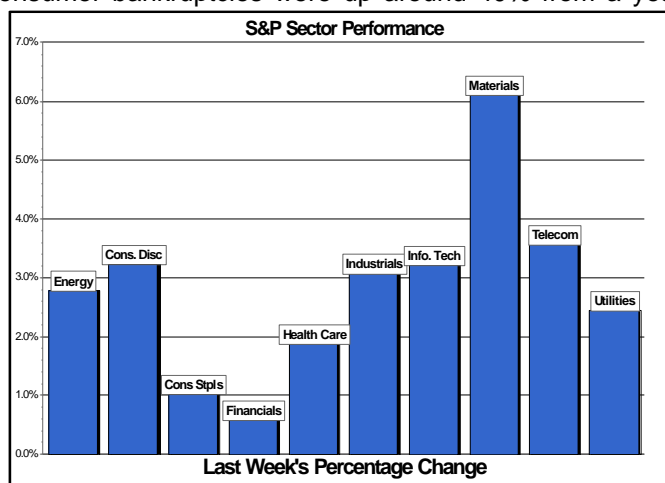
Market up on Subsiding Panic and Economic News

Investors became increasingly convinced last week that the Fed's recent direct attack on panicked credit markets by opening the discount window and lowering the loan rate was breaking the credit logjam, while a couple of good economics reports also cheered them up. The result was a solid upturn in the market last week with both the DJIA and S&P 500 up 2.3% and a strong technology sector drove the Nasdaq up 2.8%. While the large-cap stocks were due for a rebound after many absorbed the impact of forced liquidation selling by hedge and quant funds in the previous week, the small-cap stocks generally kept pace in what was a fairly broad-based rally.

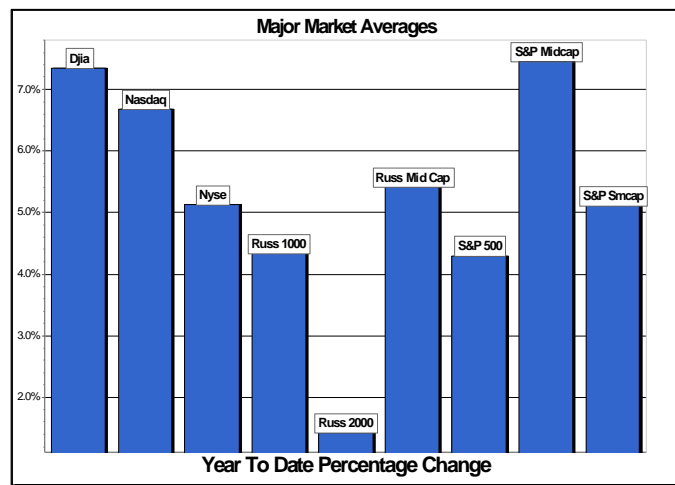


The market was helped by some positive credit-related news during the week including a \$2 billion investment by Bank of America into Countrywide Financial and \$2 billion of borrowing by the largest U.S. banks at the discount window, both events increasing investor confidence that the Fed strategy may be succeeding. The Bank of Japan also decided to pass on the expected increase in interest rates although the ECB signaled it was still leaning toward a rate increase. Short-term Treasury yields also rose significantly higher, signaling that the big retreat to quality by concerned investors was moderating. This news helped to offset the Bank of China's announcement that it has nearly a \$10 billion exposure to subprime mortgage-backed securities, Accredited's announcement it would stop taking mortgage applications, and a report that business and consumer bankruptcies were up around 40% from a year ago, all reminders that the credit fallout still has more bad news to come.

Though a quiet week for economic news, inventories of unsold homes fell for the fourth straight month. Orders for durable manufactured goods also jumped 5.9% in July, substantially above the 1.1% consensus forecast, with core capital spending orders also higher. The 0.4% increase in the Conference Board's leading indicator index was in line with expectations, but nevertheless encouraging after fairly weak preceding monthly reports. The key point is that investors were clearly paying more attention to economic news and responding to good reports.



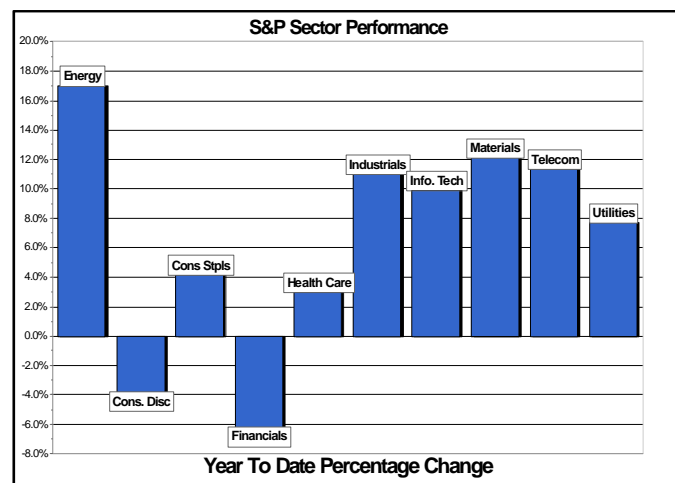
As might be expected in light of the rebound in investor confidence, the cyclical S&P sectors performed much better than defensive ones. They were led by the materials sector (+6.1%), more than offsetting the 4.7% plunge in the previous week, with the metals & mining group the single best performer. All the other cyclical sectors were in the top five with gains of over 3% all outperforming the S&P 500. Financials (+0.6%) finished at the bottom of the performance list following the big 2.8% jump in the previous week and 10% rebound from the July low. Aside from the rebound effect, the strength in the materials sector was helped by nearly a 1% decline in the trade-weighted dollar last week, which triggered over a \$10 or 1.6% increase in gold prices and contributed to a solid gain in most base metal prices including nickel (+12.2%), lead (+9.4%), copper (+3.1%) and aluminum (+1.7%). We continue to favor good positions in the materials sector with a focus on metals. If the Fed cuts rates as so many overwhelmingly expect, a weaker dollar will be one of the key effects, a plus for gold and other metals. We also continue to favor overweighted positions in technology and a strong position in industrials balanced by defensive positions in consumer staples and healthcare, both of which tend to do well when the Fed cuts interest rates.



Financials (+0.6%) finished at the bottom of the performance list following the big 2.8% jump in the previous week and 10% rebound from the July low. Aside from the rebound effect, the strength in the materials sector was helped by nearly a 1% decline in the trade-weighted dollar last week, which triggered over a \$10 or 1.6% increase in gold prices and contributed to a solid gain in most base metal prices including nickel (+12.2%), lead (+9.4%), copper (+3.1%) and aluminum (+1.7%). We continue to favor good positions in the materials sector with a focus on metals. If the Fed cuts rates as so many overwhelmingly expect, a weaker dollar will be one of the key effects, a plus for gold and other metals. We also continue to favor overweighted positions in technology and a strong position in industrials balanced by defensive positions in consumer staples and healthcare, both of which tend to do well when the Fed cuts interest rates.

The Week Ahead

The Fed's bold move last Friday (August 17) with the cut in the discount rate and welcoming of banks to the discount window, clearly broke the chain of panic last week but the delayed after-shocks from the subprime market and re-pricing of risks in the financial markets will not disappear. Nor is the stock market necessarily out of the woods though the panic phase is probably over. Investors will have to absorb more negative credit news ahead. On Saturday (August 25), for example, the Sachsen LB German bank announced it was selling itself to a banking rival (Landesbank Baden-Wuerttemberg) because of a \$271 million investment in a hedge fund that went bad following previous problems with asset-backed commercial paper. The fixed-income hedge fund, managed by Synapse Investment Management LLP (London), had 20 times leverage indicating, again, that we have more of a financial leverage problem than an overall liquidity shortage. Last Friday, the Bank of China disclosed it had a \$10 billion subprime exposure. The U.S. subprime problem is obviously steadily spreading internationally. Investors will eventually become inured to bad credit news and look past it, especially since the Fed's move removed some of the panic, but it's difficult to determine whether we've reached that point yet.



Moreover, once investors become adjusted to the flow of bad credit news, they will likely turn their attention to assessing the extent of the damage the credit problems wreaked on economic growth. Given their positive response to good news on durable orders and home sales last week, they are already paying more attention to economic news that was previously ignored during the credit crunch hysteria. As discussed below, there will be a busier economic calendar in the coming week for investors to absorb. If they respond positively to the news during the week, by Friday they may be thinking about taking profits before the long 3-day Labor Day weekend.

The Fed will also be uppermost in investors' minds this week especially since many of them who are most concerned about the credit spillover into the economy believe it is doomed if the Fed does not quickly reduce the fed funds rate. The fed funds futures were previously pricing in a 100% probability of a rate

cut by the September 18 meeting and likely before, though the odds have been falling a bit more recently. Others are betting on several rate cuts before the end of the year. It's possible that the most concerned investors might turn nervous well before the September FOMC meeting, disappointed that the Fed hasn't acted before then in a special session. At any rate, they will be watching economic news very closely this week which must be *just right*, not too weak for fear of a significant negative impact from credit problems but not so strong that it could keep the Fed from cutting rates. In addition to a much busier economics calendar in the coming week, the minutes of the last Fed FOMC report will also be released on Tuesday and Chairman Bernanke will cap off the week on Friday with a speech on housing and monetary policy. Both topics should attract considerable investor interest.

Economic News

A much busier week for economic news will be highlighted by the first revision of second quarter GDP report on Thursday. It now looks like real **GDP growth** in the quarter will be revised sharply higher to over a 4% annual rate from the initial 3.4%. As mentioned in a previous publication, most of the upward revision will result from much-better-than-expected June trade figures with stronger exports and lower growth in imports. That probably added more than 1.5 percentage points to second quarter growth while greater-than-estimated inventory growth accounted for the rest. Because of late reporting, the government always publishes the initial quarter GDP report with estimates for international trade and inventories for the last month of the quarter. In this case, it underestimated the positive effect of both. This report will also include the first estimates for second quarter profits, which should be up from the first quarter.

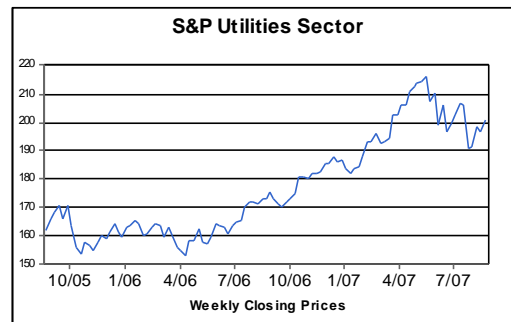
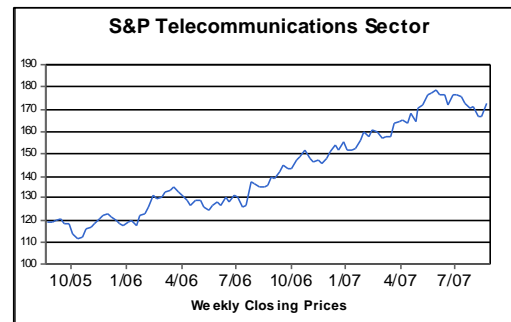
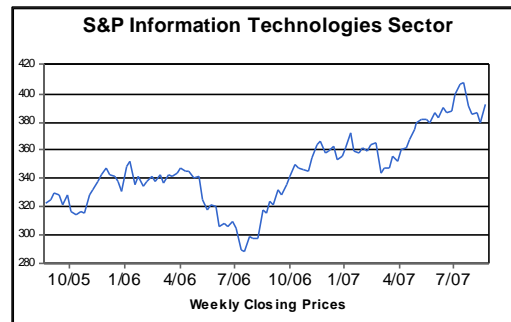
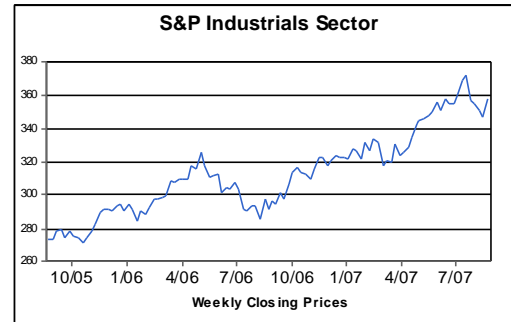
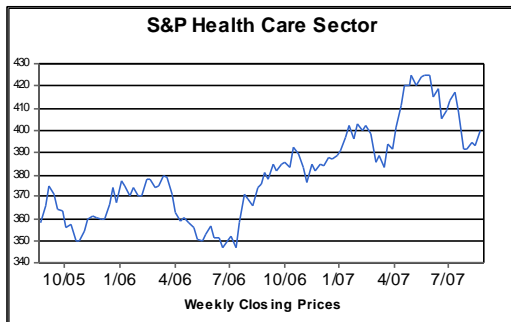
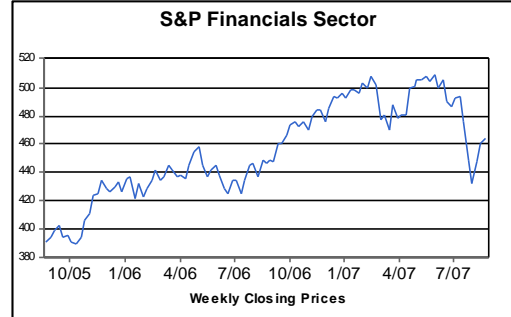
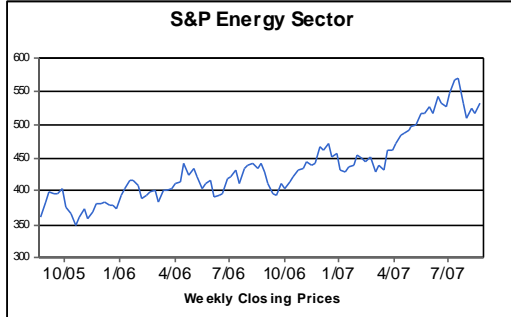
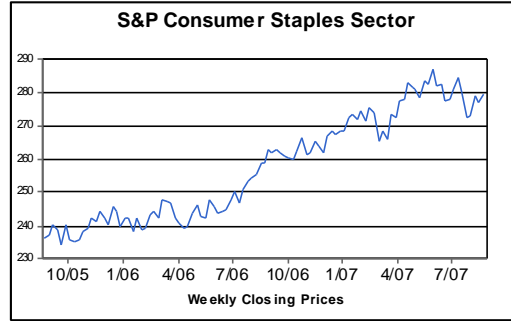
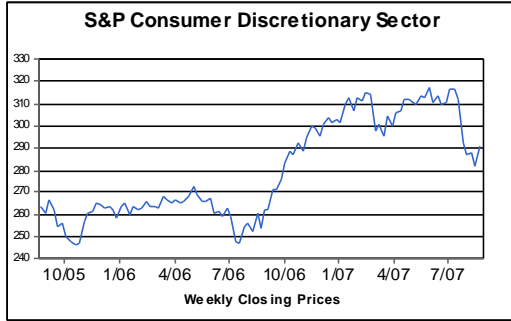
Manufacturing: We will also have a busy, and likely positive, week for manufacturing sector news. The week will be highlighted by the Friday July report on overall **factory orders**. Since the preliminary July report on durable orders was already released last Friday with a substantially-larger-than-expected 5.9% jump, it is a foregone conclusion that total factory orders will be higher including a likely increase in nondurable orders as well as durables. The consensus is looking for a sizable 3.3% increase, up from a small 0.6% June gain. Strong capital goods orders will also add to the positive news. Investors are likely to be more interested in a number of regional manufacturing surveys this week since they will be looking into August momentum. The first two August regional surveys already reported, New York and Philadelphia, were mixed but positive on balance. The **Chicago PMI** will have the highest profile in the coming week. The top-line index had a surprisingly large nearly 7-point drop in July to 53.4 with forward-looking orders and backlogs both down sharply. For that reason, the consensus is expecting another small decline to 53.0 in August. Given the volatility of this index, there could be a positive surprise rebound. The **Richmond Fed Survey** comes on Tuesday. It was mixed in July but showed positive momentum for the second month in a row after five straight negative monthly readings. We would expect at least a modestly positive reading for August. The comparable **Kansas City Fed Survey** follows on Thursday. Its production and shipment indexes were up strongly in July but other readings were mixed. We would also expect to see some improvement in August. Finally, there is also a **Texas Fed Survey** on Monday, which is a newer survey that generally has not been attracting much attention yet. Overall, however, the manufacturing news should be encouraging.

Consumer Sector: The rest of the economics calendar for the week will be mixed and not quite as positive on balance, including housing and the overall consumer sector. The key consumer-related report comes at the end of the week with Friday's government report on **consumer income and spending**. Nominal personal income should slow in July to a 0.3% increase after rising by 0.4% in each of the previous two months. Personal consumption will improve to a 0.4% increase but a good part of that will be due to a rebound from the very weak 0.1% June increase. The PCE inflation measure should show only modest growth. The **weekly retail chain sales** index has been showing little growth so far in August even with lower gasoline prices and favorable weather. We would expect more of the same of last week. Two consumer confidence surveys this week should not bring any significant positive news in August to 105.0 from 112.6 since it jumped significantly in July and this latest survey period will reflect the worst of the stock market and credit fears. The University of Michigan already reported its initial August **consumer sentiment** report with a plunge to 83.3 from 90.4 in July. For the same reasons as with the Conference Board report, the consensus is expecting another small drop in the final report to 82.5. Overall, this will not be a great week for consumer news.

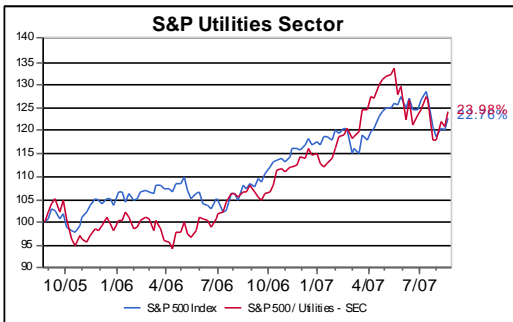
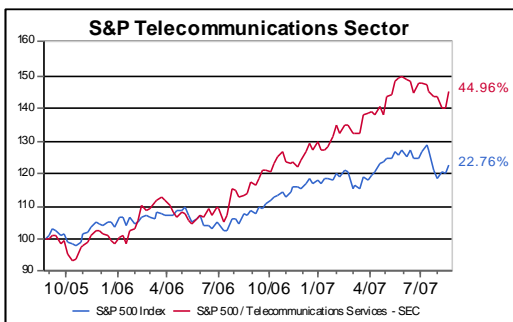
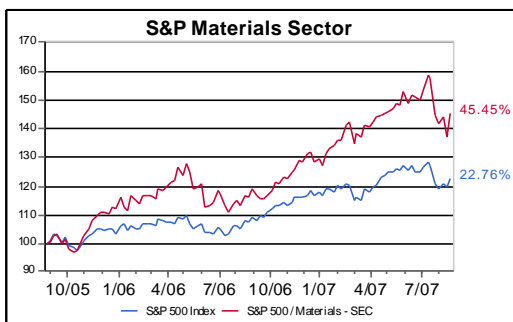
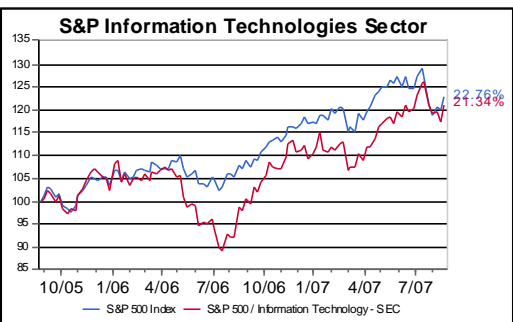
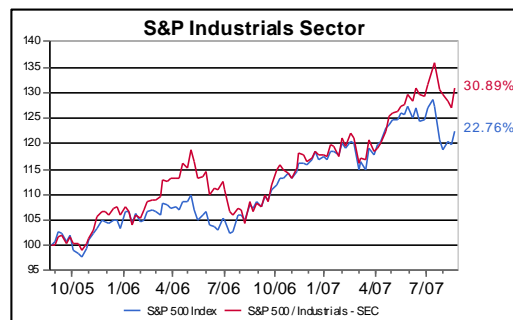
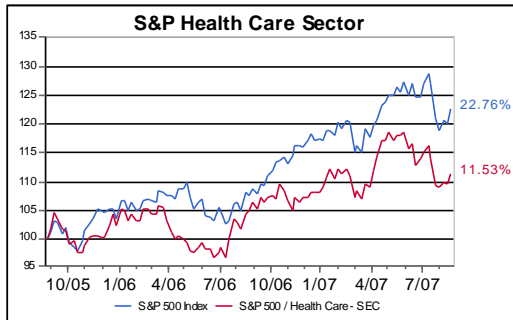
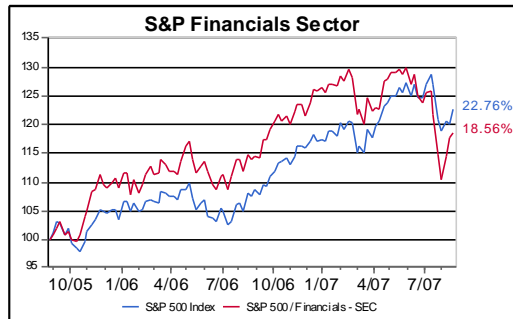
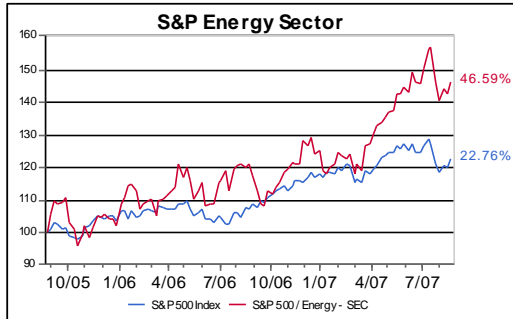
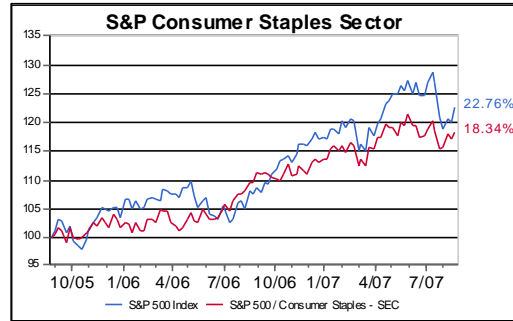
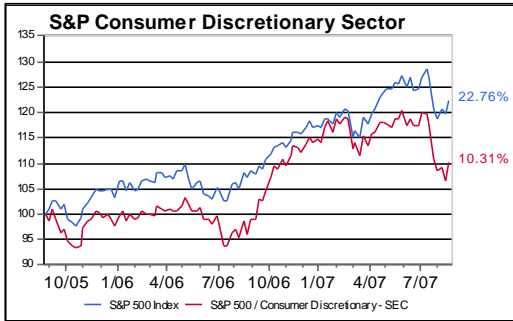
Housing News: Investors got some good news last week with better-than-expected sales of new single-family homes with the inventory of unsold homes falling for the fourth straight month. Now, the report on

existing home sales will be released on Monday to start the new week. While the consensus is expecting sales July sales to be only flat at a 5.75 million annual rate, that is still good news after four consecutive months of decline. Pending home sales, which tend to lead existing home sales by 30 to 60 days, had a substantial jump in June, the most in three years. On the other hand, even with some improvement the inventory of unsold homes is significantly worse than for new homes at 8.7 months in June, the highest since the spring of 1992. If Friday's stock market reaction to the new home sales is any indication, a positive surprise in existing home sales would help the market on Monday. There will also be two other minor housing-related reports in the coming week, the weekly **mortgage applications** report which had a substantial decline last week and the **OFHEO** report on home prices.

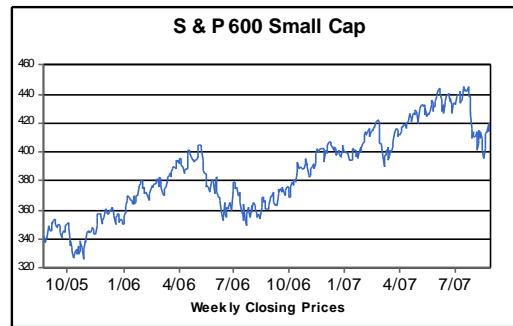
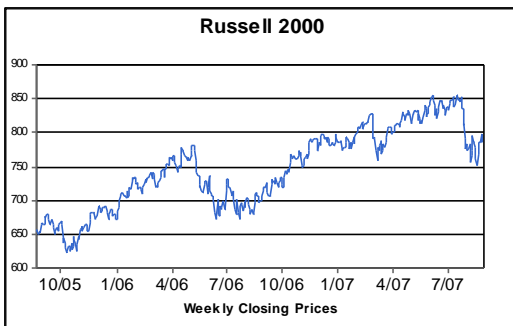
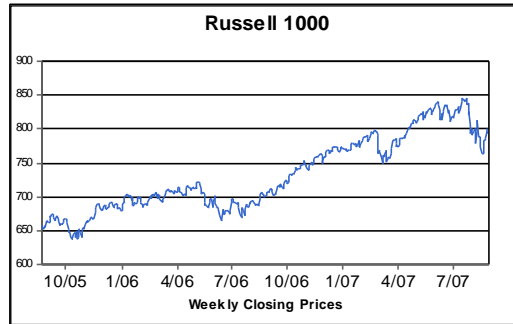
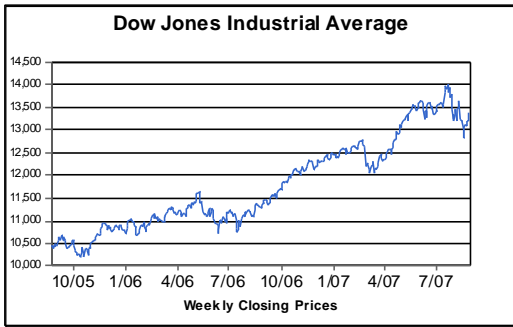
S&P Sector Performance



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
Energy	2.8	-0.1	0.6	17.0	22.2	29.1	28.8
Energy	2.8	-0.1	0.6	17.0	22.2	29.1	28.8
Energy Equipment & Services	5.9	-1.0	4.0	32.4	11.8	49.0	34.2
Oil & Gas Drilling	4.9	-2.9	-2.8	21.9	3.1	53.1	45.1
Oil & Gas Equipment & Services	6.2	-0.4	6.0	35.7	14.8	47.3	30.3
Oil Gas & Consumable Fuels	2.0	0.2	-0.2	13.7	24.7	25.3	27.9
Oil & Gas Exploration & Production	-1.0	-1.9	-5.9	13.1	4.0	65.2	33.4
Oil & Gas Storage & Transportation	2.4	-4.1	-4.8	1.4	16.6	-	-
Integrated Oil & Gas	2.2	0.6	1.7	13.8	31.9	15.1	25.6
Oil & Gas Refining & Marketing	5.8	2.6	-8.3	29.4	-5.7	77.3	61.5
Materials	6.1	-0.6	-2.9	12.1	15.7	2.2	10.8
Materials	6.1	-0.6	-2.9	12.1	15.7	2.2	10.8
Chemicals	4.9	2.0	0.7	13.0	13.5	-3.0	16.5
Diversified Chemicals	4.7	1.6	-2.1	5.6	7.1	-12.5	12.6
Fertilizers & Agricultural Chemicals	7.8	5.5	0.7	29.4	35.5	39.6	93.0
Industrial Gases	4.6	0.9	7.8	27.5	14.9	11.4	12.7
Specialty Chemicals	1.9	0.7	2.1	5.5	20.6	2.1	13.4
Construction Materials	3.5	-4.3	-20.0	1.9	32.6	24.1	14.8
Construction Materials	3.5	-4.3	-20.0	1.9	32.6	24.1	14.8
Containers & Packaging	2.8	-1.0	-7.4	-0.1	19.4	2.0	14.4
Metal & Glass Containers	5.2	-0.4	-2.8	2.3	32.2	-11.0	25.7
Paper Packaging	1.3	-1.5	-10.4	-1.7	11.9	11.7	6.9
Metals & Mining	10.0	-3.2	-3.5	18.1	23.6	17.2	0.4
Aluminum	10.2	-4.0	-9.5	22.3	1.5	-5.9	-17.3
Diversified Metals & Mining	13.3	-7.3	5.2	52.6	44.6	48.8	9.7
Gold	3.2	-1.4	5.4	-8.8	-15.4	20.2	-8.6
Steel	10.5	0.6	-8.7	9.6	75.8	20.7	58.1
Paper & Forest Products	3.8	-5.9	-12.9	-0.5	2.6	-4.7	7.4
Forest Products	3.2	-5.9	-15.1	-5.1	2.1	-0.7	10.3
Paper Products	4.2	-5.9	-11.4	2.1	3.1	-6.6	5.9
Industrials	3.1	0.0	1.0	11.0	11.0	0.4	16.0
Capital Goods	3.3	0.6	1.8	12.9	12.4	0.2	16.7
Aerospace & Defense	2.7	-0.2	3.4	15.2	23.1	14.0	14.0
Aerospace & Defense	2.7	-0.2	3.4	15.2	23.1	14.0	14.0
Building Products	4.5	-2.7	-8.9	-0.9	4.7	-12.4	29.4
Building Products	4.5	-2.7	-8.9	-0.9	4.7	-12.4	29.4
Construction & Engineering	7.5	7.0	10.9	51.3	5.7	41.7	37.5
Construction & Engineering	7.5	7.0	10.9	51.3	5.7	41.7	37.5
Electrical Equipment	2.9	0.2	-0.6	9.7	17.3	8.3	11.8
Electrical Components & Equipment	2.9	0.2	-0.6	9.7	17.3	8.3	11.8
Industrial Conglomerates	2.6	1.1	1.9	7.1	5.7	-6.1	16.9
Industrial Conglomerates	2.6	1.1	1.9	7.1	5.7	-6.1	16.9
Machinery	5.7	0.7	0.4	25.8	16.4	-0.6	18.6
Construction & Farm Machinery & Heavy Trucks	6.2	0.2	1.2	33.2	20.6	2.6	21.0
Industrial Machinery	5.1	1.4	-0.5	18.6	12.7	-3.1	16.8
Trading Companies & Distributors	7.1	3.8	-2.6	29.6	-1.6	6.7	40.6
Trading Companies & Distributors	7.1	3.8	-2.6	29.6	-1.6	6.7	40.6
Commercial Services & Supplies	2.1	-4.6	-8.8	-5.0	9.0	-3.8	4.9
Commercial Services & Supplies	2.1	-4.6	-8.8	-5.0	9.0	-3.8	4.9
Commercial Printing	3.4	-13.9	-16.4	2.4	3.9	-3.1	17.0
Diversified Commercial & Professional Services	1.0	-2.8	-10.8	-6.9	2.4	-12.7	2.5
Human Resource & Employment Services	-2.9	-9.2	-14.8	-20.5	5.1	25.3	36.9
Environmental & Facilities Services	4.6	-1.0	-3.9	2.5	23.2	0.1	-5.9
Office Services & Supplies	1.8	-2.2	-6.0	-6.0	14.3	-8.2	11.2
Transportation	2.1	-1.7	0.1	6.6	5.6	3.5	19.6
Air Freight & Logistics	1.6	1.3	3.2	2.0	1.6	-8.1	21.1
Air Freight & Logistics	1.6	1.3	3.2	2.0	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	3.2	-0.9	4.1	1.3	-6.8	-5.1	-3.0
Airlines	3.2	-0.9	4.1	1.3	-6.8	-5.1	-3.0
Road & Rail	2.7	-5.2	-3.8	13.5	13.5	30.9	23.0
Railroads	2.8	-5.3	-3.9	13.7	13.5	30.9	23.0
Consumer Discretionary	3.2	-0.4	-6.2	-3.9	17.2	-7.4	12.1
Automobiles & Components	1.5	-3.7	-11.8	4.6	22.4	-34.9	-4.8
Auto Components	3.7	-0.3	-6.2	31.4	10.5	-19.6	5.6
Auto Parts & Equipment	3.6	-0.5	-2.8	31.0	10.7	-23.8	0.6
Tires & Rubber	4.2	0.4	-17.0	37.4	24.6	1.8	40.6
Automobiles	0.2	-5.5	-14.8	-6.6	28.1	-40.6	-8.2
Automobile Manufacturers	1.3	-5.6	-17.1	2.9	23.6	-49.2	-16.9
Motorcycle Manufacturers	-2.3	-5.2	-8.9	-22.9	36.9	-15.2	27.8
Consumer Durables & Apparel	1.1	-2.4	-9.2	-7.5	4.6	0.4	21.9
Household Durables	1.2	-1.8	-9.2	-14.5	-6.9	8.5	20.3
Consumer Electronics	1.9	-1.9	-2.6	13.9	20.7	0.0	0.0
Home Furnishings	4.7	0.8	-5.3	-12.6	4.1	-19.2	31.4
Homebuilding	-1.5	-6.1	-19.8	-42.5	-20.9	25.8	32.9
Household Appliances	2.5	-1.1	-6.3	12.7	1.4	4.3	20.8
Housewares & Specialties	1.6	1.2	-3.6	-5.1	14.0	4.0	6.0
Leisure Equipment & Products	2.3	1.4	-9.0	-0.1	18.3	-18.8	14.8
Leisure Products	1.8	-2.2	-12.5	-3.1	22.5	-13.8	9.4
Photographic Products	3.3	9.1	-1.0	6.8	10.3	-27.4	25.6
Textiles Apparel & Luxury Goods	0.5	-4.7	-9.4	-0.2	22.9	0.6	28.5
Apparel Accessories & Luxury Goods	1.2	-5.0	-10.7	-5.0	28.5	2.5	27.0
Footwear	-0.6	-4.1	-7.2	9.3	15.6	-0.6	30.1
Consumer Services	4.8	2.7	-0.2	1.8	18.5	-0.2	37.7
Hotels Restaurants & Leisure	4.9	3.0	0.4	1.1	22.4	2.0	37.7
Casinos & Gaming	3.9	1.9	-3.6	-8.9	31.1	-5.0	8.2
Hotels Resorts & Cruise Lines	5.0	2.4	2.9	2.3	13.1	0.3	44.1
Restaurants	5.2	3.6	-0.1	3.2	25.3	5.1	41.0
Diversified Consumer Services	3.3	-1.5	-7.8	12.4	-21.3	-	-
Education Services	5.8	-0.2	1.0	51.4	-35.5	-	-
Specialized Consumer Services	0.1	-3.2	-17.4	-16.2	-6.2	-	-
Media	2.8	-1.2	-6.7	-7.0	29.3	-13.4	-3.4
Media	2.8	-1.2	-6.7	-7.0	29.3	-13.4	-3.4
Advertising	0.2	-0.4	-3.8	-4.5	23.9	-6.8	-6.5
Broadcasting & Cable TV	2.3	-1.4	-6.8	-5.8	42.8	-16.9	-9.1
Movies & Entertainment	3.2	0.2	-4.9	-6.0	27.2	-12.4	0.6
Publishing	3.3	-7.9	-16.4	-16.0	13.2	-14.2	-4.2
Retailing	4.0	0.2	-6.5	-3.5	9.4	-1.1	21.6
Distributors	-1.3	1.8	-2.3	2.2	8.0	-0.3	32.7
Distributors	-1.3	1.8	-2.3	2.2	8.0	-0.3	32.7
Internet & Catalog Retail	5.1	0.3	6.8	51.2	-11.8	-25.3	80.0
Internet Retail	5.1	0.3	6.8	51.2	-11.8	-25.3	80.0
Multiline Retail	1.6	-0.1	-9.4	-3.0	20.2	7.9	21.2
Department Stores	0.1	-3.0	-14.2	-13.0	33.4	13.3	20.0
General Merchandise Stores	3.5	3.6	-3.1	11.1	4.7	1.8	22.5
Specialty Retail	5.4	0.4	-6.5	-8.5	5.5	2.1	11.5
Apparel Retail	5.0	7.7	1.3	-4.0	20.4	-9.7	6.8
Computer & Electronics Retail	1.7	-1.8	-11.0	-8.6	5.2	4.4	15.9
Home Improvement Retail	7.2	-1.3	-7.3	-8.7	-1.4	1.6	15.1
Specialty Stores	3.5	0.0	-8.8	-16.3	20.7	17.6	4.9
Automotive Retail	3.8	-1.6	-10.7	1.5	14.5	-	-
Homefurnishing Retail	2.9	1.8	-2.0	-7.5	5.4	-	-
Consumer Staples	1.0	2.9	0.5	4.2	11.8	1.3	6.0
Food & Staples Retailing	1.2	0.9	-2.4	2.2	5.7	-5.2	2.6
Food & Staples Retailing	1.2	0.9	-2.4	2.2	5.7	-5.2	2.6
Drug Retail	-0.6	3.5	2.1	7.6	8.0	15.9	10.8
Food Distributors	1.0	5.9	2.3	-8.2	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	3.9	5.9	-1.8	7.6	15.7	4.3	-3.4
Hypermarkets & Super Centers	1.6	-3.3	-6.4	-1.5	0.1	-9.5	1.7
Food Beverage & Tobacco	0.9	3.0	-0.5	6.1	14.4	3.8	5.4
Beverages	-0.5	3.4	2.2	8.5	11.9	1.3	-4.8
Brewers	2.3	-1.0	-7.2	-0.4	14.3	-15.3	-1.9
Distillers & Vintners	1.9	11.3	0.9	-1.7	3.3	25.2	4.2
Soft Drinks	-1.1	3.9	4.2	10.8	12.0	4.5	-5.7
Food Products	2.2	1.7	-3.4	3.5	15.8	-8.3	18.6
Agricultural Products	1.3	-1.5	0.0	3.5	29.6	10.5	46.6
Packaged Foods & Meats	2.4	2.1	-3.8	2.9	13.5	-10.5	16.2
Tobacco	2.0	3.7	-1.6	5.8	17.0	19.8	13.6
Tobacco	2.0	3.7	-1.6	5.8	17.0	19.8	13.6
Household & Personal Products	1.1	4.9	5.7	2.7	12.6	4.4	12.2
Household Products	1.0	5.6	6.7	2.5	12.3	2.4	10.2
Household Products	1.0	5.6	6.7	2.5	12.3	2.4	10.2
Personal Products	2.1	-4.5	-6.2	4.5	15.4	16.3	19.4
Personal Products	2.1	-4.5	-6.2	4.5	15.4	16.3	19.4
Health Care	1.9	2.4	-2.1	3.0	5.8	4.9	0.2
Health Care Equipment & Services	1.8	3.0	-0.9	6.6	-0.2	17.4	17.3
Health Care Equipment & Supplies	1.8	2.5	-1.7	3.7	3.2	-0.1	12.3
Health Care Equipment	1.8	2.5	-1.6	3.4	3.4	-0.5	12.1
Health Care Supplies	2.8	-0.9	-8.8	21.7	-2.9	16.9	20.9
Health Care Providers & Services	1.8	3.3	-0.2	8.7	-2.3	34.2	22.6
Health Care Distributors	1.2	4.6	-0.8	10.5	-1.8	28.8	-2.9
Health Care Services	5.3	5.1	7.2	35.7	4.9	32.2	17.4
Health Care Facilities	1.9	-9.6	-18.5	-9.0	1.2	10.4	-10.9
Managed Health Care	0.9	2.9	-1.3	1.6	-6.6	42.7	52.7
Pharmaceuticals & Biotechnology	1.9	2.1	-2.7	1.1	9.9	-2.0	-7.1
Biotechnology	0.4	-2.1	-3.0	-3.9	-2.7	18.3	7.6
Biotechnology	0.4	-2.1	-3.0	-3.9	-2.7	18.3	7.6
Pharmaceuticals	2.1	3.0	-2.9	1.6	12.6	-5.9	-9.5
Pharmaceuticals	2.1	3.0	-2.9	1.6	12.6	-5.9	-9.5
Financials	0.6	3.8	-4.4	-6.3	16.2	3.7	8.2
Banks	-0.4	5.6	-2.9	-7.8	12.3	-4.8	10.9
Commercial Banks	-0.4	5.9	-1.7	-6.9	11.5	-2.2	11.1
Diversified Banks	-0.4	7.7	0.5	-5.4	12.0	-1.2	13.5
Regional Banks	-0.4	3.7	-4.5	-8.7	10.9	-4.2	6.4
Thrifts & Mortgage Finance	-0.4	4.8	-6.3	-10.4	13.4	-13.0	10.4
Thrifts & Mortgage Finance	-0.4	4.8	-6.3	-10.4	13.4	-13.0	10.4
Diversified Financials	0.3	2.6	-5.5	-7.3	20.7	7.2	5.9
Diversified Financial Services	-0.6	5.3	-2.2	-7.9	15.9	2.9	0.2
Other Diversified Financial Services	-0.7	6.1	-1.4	-7.4	16.3	1.5	-1.0
Specialized Finance	1.4	-3.7	-10.9	-12.7	4.5	29.0	42.6
Consumer Finance	1.9	1.3	-7.6	-3.9	4.9	2.3	22.2
Consumer Finance	1.9	1.3	-7.6	-3.9	4.9	2.3	22.2
Capital Markets	1.3	-0.9	-9.4	-7.3	32.4	15.4	6.9
Asset Management & Custody Banks	-0.3	-0.1	-3.8	5.1	16.7	11.7	6.2
Investment Banking & Brokerage	2.2	-1.4	-12.4	-12.9	39.6	17.0	3.2
Insurance	1.8	4.3	-4.4	-1.5	9.3	12.5	5.9
Insurance	1.8	4.3	-4.4	-1.5	9.3	12.5	5.9
Insurance Brokers	0.3	1.6	-7.3	0.5	-2.7	12.9	-24.2
Life & Health Insurance	2.1	5.3	-1.8	8.0	15.0	20.9	20.4
Multi-line Insurance	2.4	3.9	-4.7	-4.0	6.4	7.8	2.7
Property & Casualty Insurance	0.9	4.3	-5.7	-6.4	10.7	13.0	8.4
Real Estate	2.3	4.3	-2.7	-10.7	36.8	7.4	21.9
Real Estate	2.3	4.3	-2.7	-10.7	36.8	7.4	21.9
Real Estate Investment Trusts	2.0	5.0	-2.1	-10.7	36.9	7.4	21.9
Information Technology	3.2	1.3	0.9	9.9	7.7	0.4	2.1
Software & Services	2.1	0.7	-2.6	2.9	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	2.2	2.0	-3.3	8.0	-20.7	4.0	66.8
Internet Software & Services	2.2	2.0	-3.3	8.0	-20.7	4.0	66.8
IT Services	1.7	-1.4	-4.9	3.1	9.5	3.4	3.3
IT Consulting & Other Services	-0.6	-8.5	-5.3	-4.3	19.1	-42.7	-31.4
Data Processing & Outsourced Services	1.9	-0.6	-4.9	4.0	9.4	4.7	4.7
Software	2.2	0.8	-1.5	0.8	14.5	-4.2	9.0
Application Software	1.0	0.3	-3.1	2.9	5.3	10.6	11.6
Systems Software	2.5	0.5	-1.8	0.3	16.9	-5.3	7.9
Home Entertainment Software	0.2	8.0	11.1	4.3	-3.7	-15.2	29.1
Technology Hardware & Equipment	3.9	1.9	3.7	14.7	14.9	-1.7	8.7
Communications Equipment	2.7	1.8	2.4	9.0	15.1	1.8	2.8
Communications Equipment	2.7	1.8	2.4	9.0	15.1	1.8	2.8
Computers & Peripherals	4.9	2.5	5.9	20.8	16.0	-3.9	14.8
Computer Hardware	4.6	2.2	6.2	22.1	17.8	-1.7	13.9
Computer Storage & Peripherals	6.9	4.1	4.4	12.4	6.7	-17.1	20.9
Electronic Equipment & Instruments	2.8	-3.1	-6.8	-2.3	-0.6	1.2	-8.5
Electronic Equipment Manufacturers	3.7	-6.8	-7.7	3.0	10.8	15.8	-2.4
Electronic Manufacturing Services	2.3	-0.8	-6.2	-9.3	-13.9	-11.9	-17.0
Office Electronics	3.9	-3.5	-8.8	-0.6	15.7	-13.9	23.3
Office Electronics	3.9	-3.5	-8.8	-0.6	15.7	-13.9	23.3
Semiconductors	3.9	2.2	0.7	13.8	-9.9	11.2	-21.3
Semiconductors & Semiconductor Equipment	3.6	1.3	0.9	13.1	-8.1	10.0	-21.8
Semiconductors & Semiconductor Equipment	3.6	1.3	0.9	13.1	-8.1	10.0	-21.8
Semiconductor Equipment	1.9	-3.0	2.1	8.7	5.3	2.0	-25.0
Telecommunication Services	3.6	1.0	-1.9	11.4	32.1	-9.0	16.0
Telecommunication Services	3.6	1.0	-1.9	11.4	32.1	-9.0	16.0
Diversified Telecommunication Services	3.6	2.1	-1.2	13.0	43.9	-8.9	9.3
Integrated Telecommunication Services	3.6	2.1	-1.2	13.0	43.9	-8.9	9.3
Wireless Telecommunication Services	3.1	-4.7	-5.9	3.7	-3.4	1.6	57.3
Wireless Telecommunication Services	3.1	-4.7	-5.9	3.7	-3.4	1.6	57.3
Utilities	2.4	4.4	0.5	7.7	16.9	12.8	19.6
Utilities	2.4	4.4	0.5	7.7	16.9	12.8	19.6
Electric Utilities	1.8	5.4	1.9	9.6	19.0	13.5	21.8
Electric Utilities	1.8	5.4	1.9	9.6	19.0	13.5	21.8
Gas Utilities	5.0	0.4	-3.2	17.1	21.1	-6.6	9.9
Gas Utilities	5.0	0.4	-3.2	17.1	21.1	-6.6	9.9
Multi-Utilities	2.5	4.6	0.4	2.3	12.3	13.1	15.1
Multi-Utilities	2.5	4.6	0.4	2.3	12.3	13.1	15.1
Independent Power Producers & Energy Traders	4.6	1.1	-4.0	13.6	24.4	-	-
Independent Power Producers & Energy Traders	4.6	1.1	-4.0	13.6	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)	2.3	1.7	-1.6	4.3	13.6	3.0	9.0
Dow Jones 30 Industrials	2.3	1.3	-0.2	7.3	16.3	-0.6	3.1
Dow Jones 65 Composite	2.5	0.7	-1.2	7.8	13.3	7.1	13.2
Dow Jones Wilshire 5000 (Full cap)	2.5	1.5	-2.1	4.5	13.9	4.6	10.8
Russell 1000	2.5	1.4	-1.8	4.3	13.3	4.4	9.5
Russell 3000	2.5	1.6	-2.0	4.1	13.7	4.3	10.1
NASDAQ Composite Index	2.9	1.2	-1.0	6.7	9.5	1.4	8.6
S&P Mid Cap	3.1	0.9	-3.5	7.5	9.0	11.3	15.2
Russell Mid Cap	3.3	0.3	-3.5	5.4	13.5	11.0	18.4
Russell 2000	1.6	2.9	-4.2	1.4	17.0	3.3	17.0
S&P Small Cap	2.0	2.5	-2.7	5.1	14.1	6.7	21.6
Russell Micro Cap (TR)	0.6	0.1	-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 FINRA/SIPC.