



# Barrington Research<sup>TM</sup>

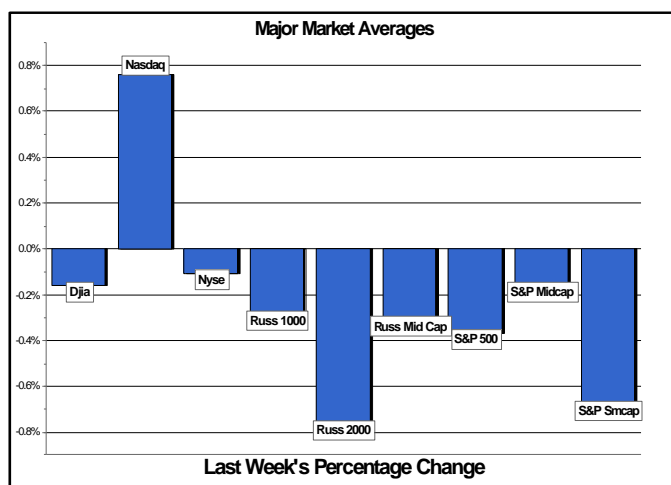
Economic and Investment Research

**MARKET WEEK**  
**September 4, 2007**

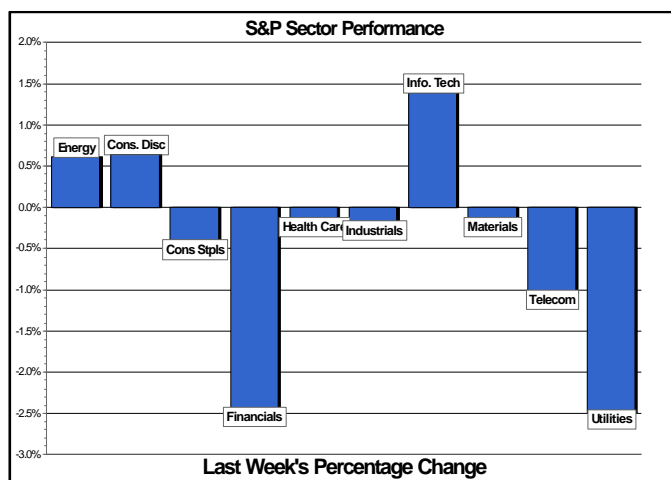
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## Panic Slowly Subsiding

For the third week in a row, a modest weekly change in the market masked substantial volatility during the week with three triple-digit daily changes. The DJIA (-0.16%), Wilshire 5000 (-0.33%) and the S&P 500 (-0.36%) all had only minor losses with the small and mid-cap averages showing similar small declines. The Nasdaq (+0.76%) was the sole exception with a small gain. But it took back-to-back speeches on the last day of the week (August 31), with Fed Chairman Bernanke promising help for the economy if needed and President Bush providing a mortgage bailout plan, to pull out the week and avoid a larger loss for the week and month. Investors took Bernanke's Friday comments as a signal that he will cut rates on September 18. The day was also helped by three positive economic reports, one in the consumer sector and two in the manufacturing sector. Consequently, investors ended the week with upbeat sentiment and, excluding any negative interim developments, are likely to come back on Tuesday from their long weekend tanned and bullish, at least for one day.



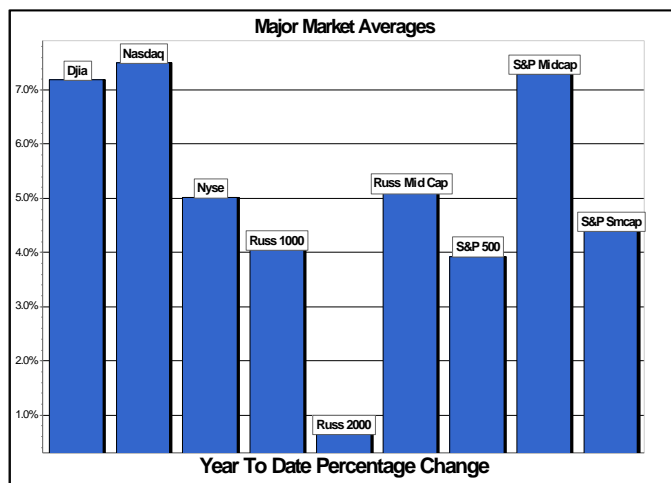
The relative S&P sector performance reflected the volatile and uncertain nature of the week without a huge difference between defensive and cyclical sectors, with one exception. The 1.4% increase in the steadily improving technology sector was a standout as traders expecting a Fed rate cut appear to be choosing the technology sector as the aggressive vehicle to play. Secondly, it was also obvious that the credit situation is still a major investor concern judging by the 2.5% drops in the financials and utilities, both credit-sensitive sectors. Beyond that, investors still appeared to be willing to bet on the economy despite recent fears since, aside from the technology sector, the only other two sectors to show a gain for the week, energy (+0.6%) and consumer discretionary (+0.6%), were cyclical in nature. The other two cyclical sectors, materials (-0.2%) and industrials (-0.2%), though down, also outperformed the S&P 500 (-0.4%). But the key defensive sectors, health care (-0.2%) and consumer staples (-0.4%), performed about as well. This behavior is consistent with our advice of remaining cautiously optimistic on the longer term but maintaining a fairly balanced portfolio between defensive and cyclicals while underweighting financials.



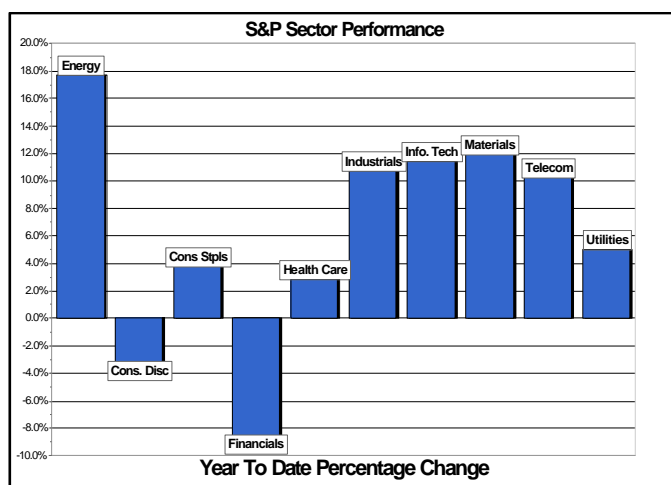
We do believe that the Fed's initial moves will probably be sufficient to eliminate much of the panic in the credit markets and, while the financial crisis will have a negative impact on economic growth, it will only bend rather than break the economic expansion. But it will still require much more information, both for the Fed and investors, before everyone will become comfortable with that conclusion. In the meantime, the Fed has a dilemma. There is still general agreement on the board that inflation is the key concern with worries about the inflationary potential of the falling dollar, slower productivity growth and tight labor markets. It also doesn't want to bail out speculators that bet on housing with leverage of anywhere from 4 to 20 times. On the other hand, the consensus of one or more rate cuts in the next month or two is so strong that failure to cut on September 18 could spark a serious market correction that would undo the fragile financial peace created by its changes at the discount window. So, although we continue to believe that it would be a mistake, it is difficult to bet against the rate cut. As discussed below, the market still faces some short-term challenges and things may still look worse before they get better. The stock market will have to do a lot of backing and filling to repair the technical damage.

### The Week Ahead: More Challenges

The market did end last week on a positive note which should give it an upward short-term bias to start next week but there will be further challenges to investors' good cheer last Friday. The debate on the Fed and interest rates will continue since Bernanke said the Fed would *act as needed* to limit the impact of the credit crisis on the economy but fell short of saying it would cut rates and added that the Fed won't rescue lenders and investors. The Fed's Beige Report this week is also not likely to be very encouraging about the economy and there will be a number of speeches this week by Fed officials to further add to the confusion. Moreover, both the Bank of England and the European Central Bank will be meeting on interest rates this week. Additionally, President Bush issued proposals to make changes at the FHA to allow homeowners with good credit to refinance with federally insured loans but also said the U.S. would not bail out speculators.



Secondly, the market should also be challenged by economic news in the coming week. To the extent that some investors have become even tentatively comfortable that recent Fed moves might have eliminated panic in credit markets, they moved on to worrying about the impact of the credit crisis on the real economy. This week for the first time they will see broad data on how the credit crisis might have affected consumer spending in August with reports on August auto sales and retail chain store sales. We've already seen that August consumer confidence had a sharp decline. The Beige Report will of course also comment on consumer spending trends in August. There will also be more negative news this week on the housing correction



which always tends to re-awaken investor fears on the credit situation lately. Recent manufacturing sector reports have indicated good momentum in August but the August ISM this week is expected to show a decline. Moreover, the manufacturing sector will lag consumer spending trends and if the consumer news is bad enough, investors will start worrying again of a relapse in the domestic industrial sector, another reason for focus on U.S. companies that have big international exposure.

Finally, if investors become more concerned about the economy, they will be less comfortable with third quarter earnings. Right now, the First Call consensus on third quarter S&P 500 earnings has already been trimmed to just a 4% increase, down from 6% recently, leaving little room for error in avoiding the first negative earnings quarter. We doubt that will be the case, particularly with the large international earnings exposure in the S&P 500 (around 40%). But investors could become concerned that the 11.2% fourth quarter estimated increase is too high. A number of retailers will be reporting August sales in the coming week and we would not expect them to look very good. Homebuilder Hovnanian will also be reporting a third quarter loss this week and issuing what we would imagine to be a bleak outlook.

## Economic News

The economics calendar is somewhat smaller than the past week but it will be crammed into a shortened holiday week with a strong start right away on Tuesday. There are also several high-profile reports including the important government employment report on Friday. The closely watched ISM manufacturing survey will start off the week on Tuesday along with the overall construction spending report and two key consumer reports: August retail chain store sales and auto sales. On a broader basis we'll see the ISM report on the service sector along with the Fed's beige report that will be of very special interest given the heavy focus on the Fed's September FOMC meeting. The question is how investors will react to the economic news as we draw closer to the Fed's September 18 FOMC meeting. Too weak and investors will look upon it as confirmation of the spillover of the credit problems to the real economy. Too strong and they will worry that Fed will not cut rates after all.

The August **beige report** will be a good test of whether the widespread credit concerns did indeed leak over into the real economy. The last beige report also indicated some slowing of activity in a number of Fed districts and we are likely to see more of the same in the most recent report. Similarly, the August **ISM non-manufacturing survey** (encompassing the very large service sector) has the consensus looking for nearly a two-point drop from 55.8 in July. **Wholesale inventories** on Friday will provide more insight into whether business has again become more cautious in rebuilding inventories in light of credit conditions. However, expectations are for another reasonably healthy 0.5% increase in July and we may have to wait for August numbers to get an answer. There will be some good news with the first revision of the second quarter productivity and unit labor cost reports. With the GDP revised upward, most are expecting an upward revision in second quarter **productivity** from the initial 1.8% increase to around 2.5% with unit labor costs being revised down to 1.5% from 2.1%. The revisions are obviously not large and this is old news for investors. Like the upward-revised second quarter GDP, knowledgeable investors will more likely conclude that the upward revision will only make it more difficult to see good gains in the third quarter. So, these four broader based reports are, on balance, not very positive.

**Consumer News:** U.S. **auto sales** have been under pressure most of the year after a soft year in 2006 as well. The 15.5 million annual rate in July was the lowest of the year with the Big Three market share falling below 50% for the first time ever. We could always see a modest rebound in August, especially if there were aggressive enough sales incentives, but we would not expect much improvement over the rest of year, especially with more difficult lending standards, less buying power from mortgage refinancing and lower consumer confidence. Year-over-year comparisons for August same-store **retail chain store sales** are only expected to be up in a range of 2.0%-2.5%, below July's sluggish 2.6% rate as consumers continue to be cautious. **Weekly chain sales** will lend some insight into trends at the end of the month. They have been showing some gentle sequential growth but can still only be considered sluggish at best.

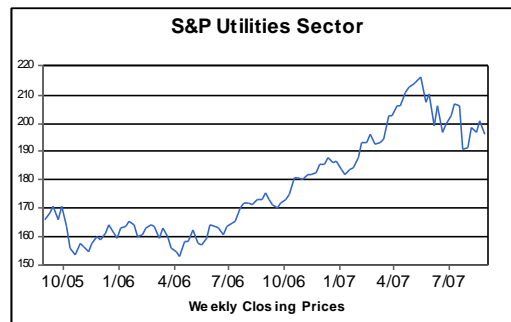
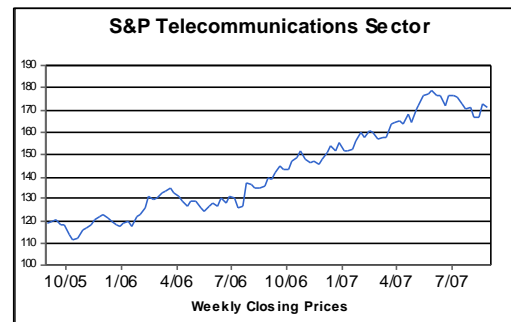
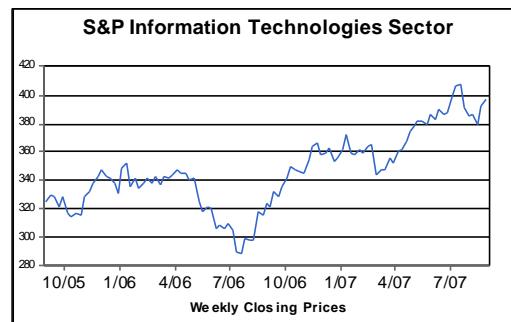
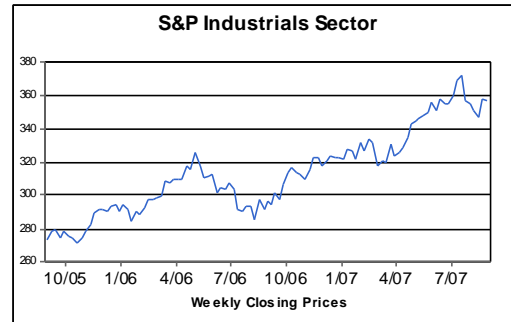
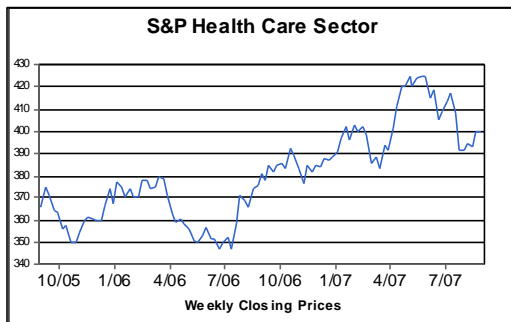
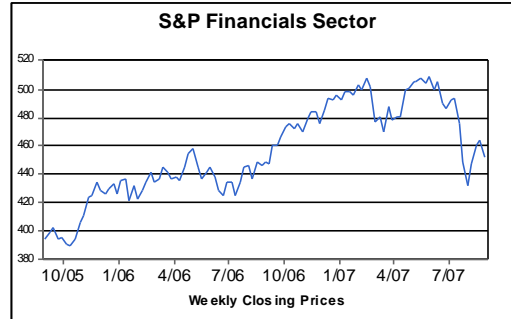
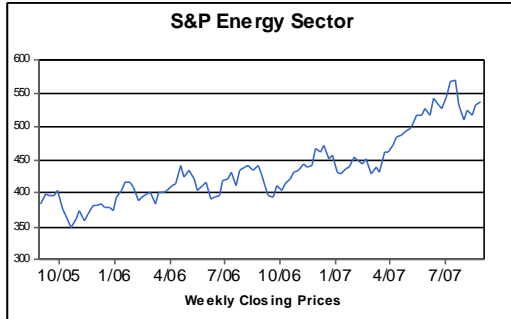
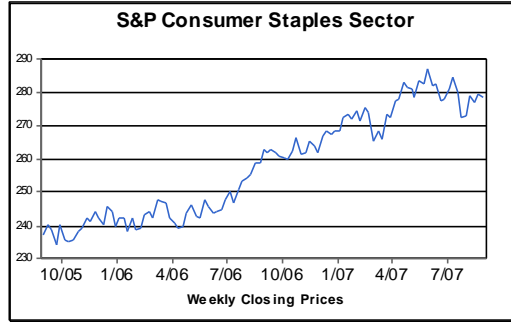
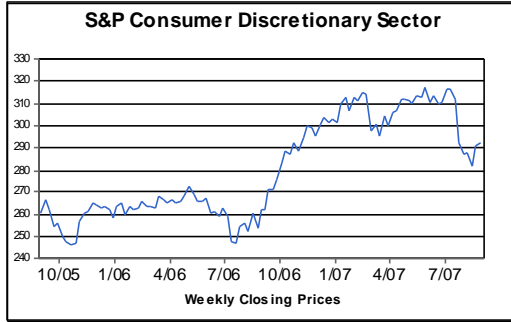
**Housing Trends:** Fortunately, in light of the very negative effect the continuing bad news has had on investor sentiment, housing news will be a little on the sparse side in the coming week. The overall July **construction spending** report will be released on Tuesday and is expected to show a slight 0.1% increase, reversing the 0.3% June decline. However, investors focus on the residential spending part of the report, which has made negative reading about every month this year while private nonresidential and public spending has been reasonably good. We would expect the same pattern in this report. The NAR's latest news on July **pending home sales** will attract the most attention since they lead existing home sales by 30 to 60 days. Since existing home sales have been down for five consecutive months with the inventory of unsold home at a new high of 9.7 months, any kind of good news on pending home sales should be very well received. Unfortunately, June sales had an unexpected increase and are likely to have fallen in July. Weekly **mortgage applications**, also a leading indicator for sales of new and used

homes as well as refinancing activity, have trended lower for the last two weeks. But as mentioned before, we find the fact that rates on ARM's are now higher than fixed-rate mortgages more ominous and evidence that marginal borrowers are having trouble refinancing.

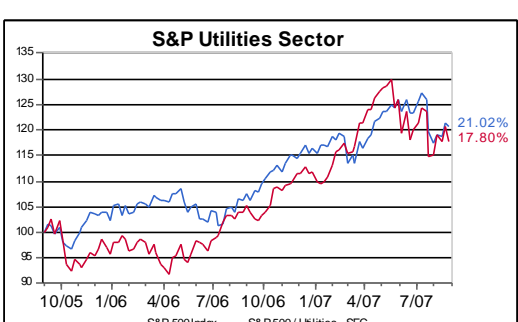
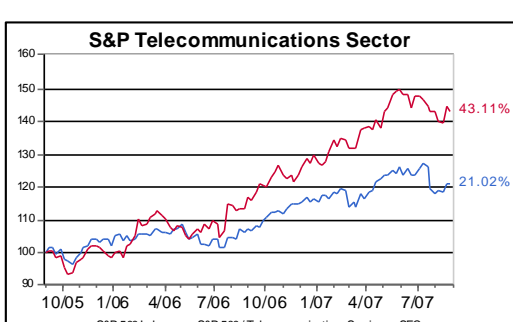
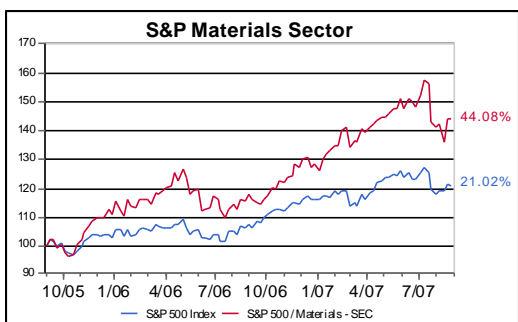
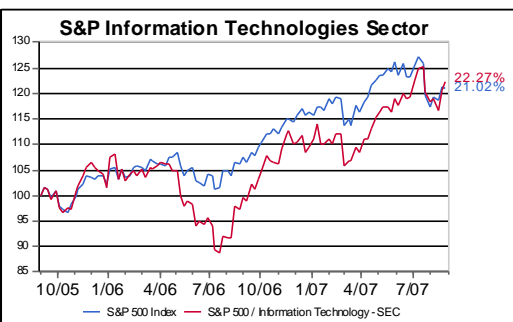
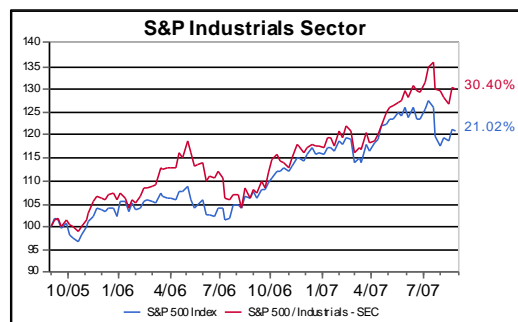
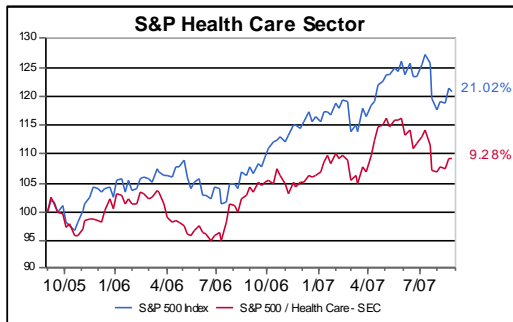
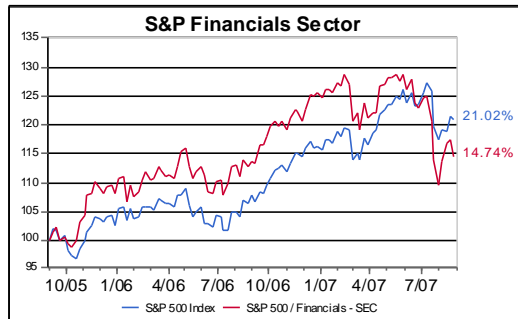
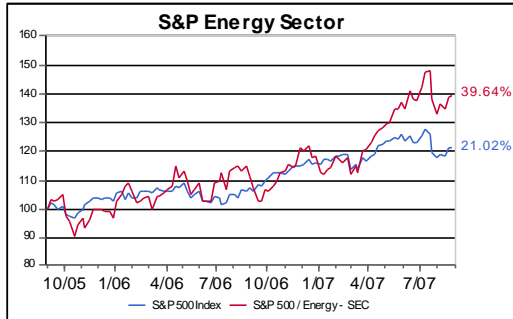
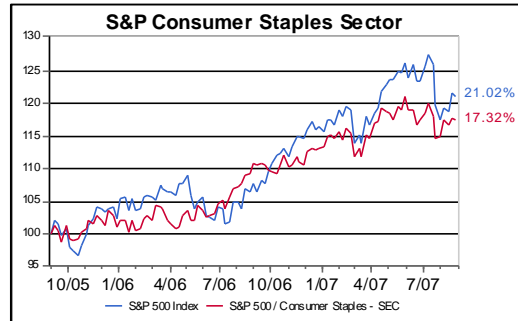
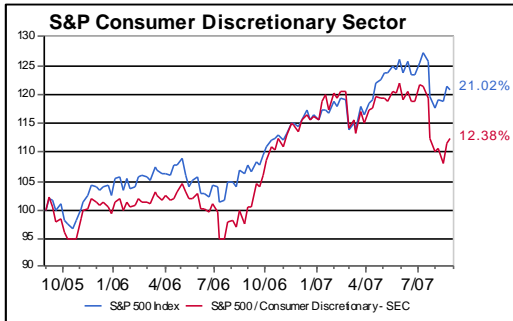
**Manufacturing:** This is the one sector that has been a source of good news with five different reports last week indicating that manufacturing sector momentum was picking up in August after only a short slowdown. This week we have the closely watched **ISM index** based on a national survey of manufacturing purchasing managers. The consensus is expecting a slight decline in August from the 53.8 July reading when reported on Tuesday. Given results of a number of regional surveys last week and what looks like a strong pipeline of manufacturing orders in July, there is a good chance of a positive surprise. Global **semiconductor billings** reported on the same day is a good leading indicator for overall tech manufacturing. They have been down for six of the last seven months and, though much of that period is seasonally slow, it still looked like the industry inventory liquidation was lasting longer than expected. The industry is now in its seasonally stronger period, inventories are low and there are signs of an upturn getting underway.

**Employment Conditions:** As usual, the government's monthly **employment report** on Friday will be the highlight of the economic news. Given the current investor concerns about the economy and need for a Fed bailout, a disappointing report on payroll employment growth could be painful. Fortunately, we already had our disappointment with the July report when payroll job growth slid to a lower-than-expected 92,000 and the unemployment rate rose to 4.6%. So the expectation is for a modest improvement to a range of 105,000-120,000 according to several consensus surveys, not great but tolerable given a slowing third quarter economy. The unemployment rate is expected to remain at 4.6%. Weekly **unemployment claims**, a better leading indicator for jobs, have increased for five straight weeks to a one-month high, indicating some moderation in job growth. There are two other job-related reports leading up to Friday's government report. The **Challenger Report**, which tracks major layoff announcements, has been showing declining layoffs in recent months. Due to the tight labor markets, business has generally been hesitant to lay off works but have been cautious in hiring new ones. This may show up more in the current **Monster Employment Index** that tracks online want ads.

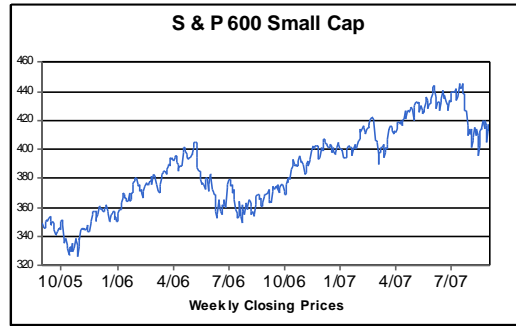
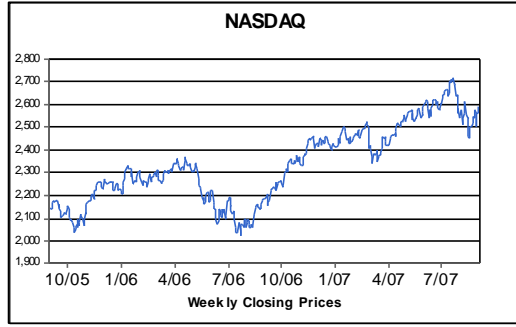
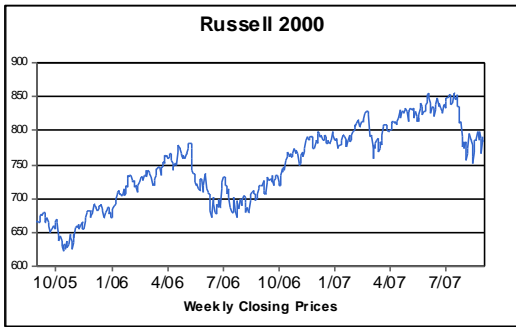
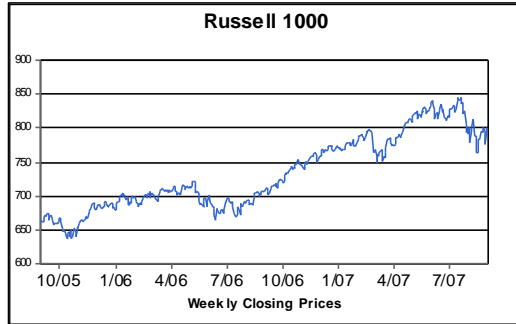
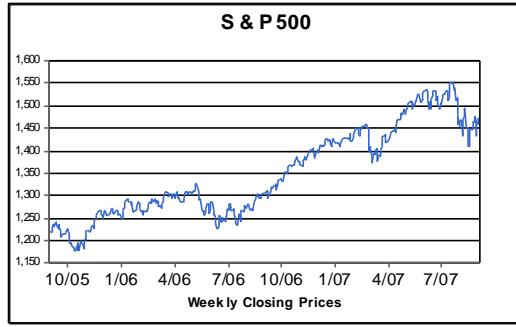
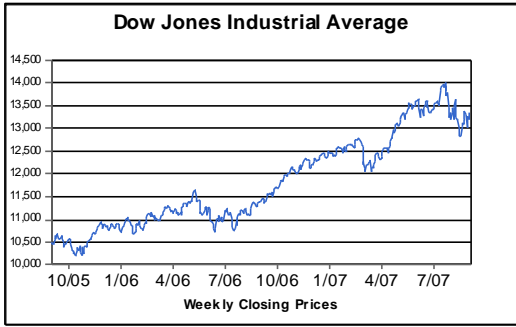
### S&P Sector Performance



### 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
<b>Energy</b>	<b>0.6</b>	<b>0.5</b>	<b>1.3</b>	<b>17.7</b>	<b>22.2</b>	<b>29.1</b>	<b>28.8</b>
<b>Energy</b>	0.6	0.5	1.3	17.7	22.2	29.1	28.8
<b>Energy Equipment &amp; Services</b>	1.9	0.9	6.0	35.0	11.8	49.0	34.2
<b>Oil &amp; Gas Drilling</b>	-1.2	-4.0	-4.0	20.5	3.1	53.1	45.1
<b>Oil &amp; Gas Equipment &amp; Services</b>	2.8	2.4	9.0	39.6	14.8	47.3	30.3
<b>Oil Gas &amp; Consumable Fuels</b>	0.3	0.4	0.1	14.0	24.7	25.3	27.9
<b>Oil &amp; Gas Exploration &amp; Production</b>	-0.2	-2.2	-6.1	12.9	4.0	65.2	33.4
<b>Oil &amp; Gas Storage &amp; Transportation</b>	-1.7	-5.7	-6.4	-0.4	16.6	-	-
<b>Integrated Oil &amp; Gas</b>	0.4	1.0	2.1	14.3	31.9	15.1	25.6
<b>Oil &amp; Gas Refining &amp; Marketing</b>	1.0	3.6	-7.4	30.6	-5.7	77.3	61.5
<b>Materials</b>	<b>-0.2</b>	<b>-0.8</b>	<b>-3.0</b>	<b>12.0</b>	<b>15.7</b>	<b>2.2</b>	<b>10.8</b>
<b>Materials</b>	-0.2	-0.8	-3.0	12.0	15.7	2.2	10.8
<b>Chemicals</b>	-0.3	1.7	0.4	12.7	13.5	-3.0	16.5
<b>Diversified Chemicals</b>	-1.3	0.3	-3.4	4.2	7.1	-12.5	12.6
<b>Fertilizers &amp; Agricultural Chemicals</b>	2.6	8.2	3.3	32.8	35.5	39.6	93.0
<b>Industrial Gases</b>	0.2	1.1	8.1	27.8	14.9	11.4	12.7
<b>Specialty Chemicals</b>	-1.2	-0.5	0.9	4.2	20.6	2.1	13.4
<b>Construction Materials</b>	-1.7	-6.0	-21.4	0.2	32.6	24.1	14.8
<b>Construction Materials</b>	-1.7	-6.0	-21.4	0.2	32.6	24.1	14.8
<b>Containers &amp; Packaging</b>	-1.6	-2.6	-8.9	-1.7	19.4	2.0	14.4
<b>Metal &amp; Glass Containers</b>	-1.7	-2.1	-4.4	0.6	32.2	-11.0	25.7
<b>Paper Packaging</b>	-1.5	-3.0	-11.8	-3.2	11.9	11.7	6.9
<b>Metals &amp; Mining</b>	0.0	-3.1	-3.4	18.1	23.6	17.2	0.4
<b>Aluminum</b>	-0.4	-4.4	-9.9	21.7	1.5	-5.9	-17.3
<b>Diversified Metals &amp; Mining</b>	0.3	-7.0	5.6	53.1	44.6	48.8	9.7
<b>Gold</b>	2.7	1.2	8.2	-6.4	-15.4	20.2	-8.6
<b>Steel</b>	-1.1	-0.5	-9.7	8.4	75.8	20.7	58.1
<b>Paper &amp; Forest Products</b>	1.5	-4.5	-11.7	0.9	2.6	-4.7	7.4
<b>Forest Products</b>	1.7	-4.3	-13.6	-3.5	2.1	-0.7	10.3
<b>Paper Products</b>	1.4	-4.6	-10.2	3.5	3.1	-6.6	5.9
<b>Industrials</b>	<b>-0.2</b>	<b>-0.2</b>	<b>0.8</b>	<b>10.8</b>	<b>11.0</b>	<b>0.4</b>	<b>16.0</b>
<b>Capital Goods</b>	0.0	0.6	1.8	12.9	12.4	0.2	16.7
<b>Aerospace &amp; Defense</b>	-0.3	-0.4	3.1	14.9	23.1	14.0	14.0
<b>Aerospace &amp; Defense</b>	-0.3	-0.4	3.1	14.9	23.1	14.0	14.0
<b>Building Products</b>	-1.3	-3.9	-10.0	-2.1	4.7	-12.4	29.4
<b>Building Products</b>	-1.3	-3.9	-10.0	-2.1	4.7	-12.4	29.4
<b>Construction &amp; Engineering</b>	2.9	10.1	14.2	55.7	5.7	41.7	37.5
<b>Construction &amp; Engineering</b>	2.9	10.1	14.2	55.7	5.7	41.7	37.5
<b>Electrical Equipment</b>	2.3	2.5	1.7	12.3	17.3	8.3	11.8
<b>Electrical Components &amp; Equipment</b>	2.3	2.5	1.7	12.3	17.3	8.3	11.8
<b>Industrial Conglomerates</b>	-0.8	0.3	1.0	6.2	5.7	-6.1	16.9
<b>Industrial Conglomerates</b>	-0.8	0.3	1.0	6.2	5.7	-6.1	16.9
<b>Machinery</b>	1.5	2.2	1.9	27.6	16.4	-0.6	18.6
<b>Construction &amp; Farm Machinery &amp; Heavy Trucks</b>	1.4	1.5	2.6	35.0	20.6	2.6	21.0
<b>Industrial Machinery</b>	1.6	3.0	1.1	20.5	12.7	-3.1	16.8
<b>Trading Companies &amp; Distributors</b>	1.0	4.9	-1.5	31.0	-1.6	6.7	40.6
<b>Trading Companies &amp; Distributors</b>	1.0	4.9	-1.5	31.0	-1.6	6.7	40.6
<b>Commercial Services &amp; Supplies</b>	-0.2	-4.8	-9.0	-5.2	9.0	-3.8	4.9
<b>Commercial Services &amp; Supplies</b>	-0.2	-4.8	-9.0	-5.2	9.0	-3.8	4.9
<b>Commercial Printing</b>	-1.6	-15.2	-17.7	0.8	3.9	-3.1	17.0
<b>Diversified Commercial &amp; Professional Services</b>	0.3	-2.5	-10.5	-6.6	2.4	-12.7	2.5
<b>Human Resource &amp; Employment Services</b>	0.3	-8.9	-14.5	-20.3	5.1	25.3	36.9
<b>Environmental &amp; Facilities Services</b>	0.1	-0.9	-3.8	2.6	23.2	0.1	-5.9
<b>Office Services &amp; Supplies</b>	-0.7	-2.9	-6.6	-6.6	14.3	-8.2	11.2
<b>Transportation</b>	-1.2	-2.8	-1.0	5.4	5.6	3.5	19.6
<b>Air Freight &amp; Logistics</b>	-1.4	-0.1	1.7	0.5	1.6	-8.1	21.1
<b>Air Freight &amp; Logistics</b>	-1.4	-0.1	1.7	0.5	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
<b>Airlines</b>	-2.6	-3.5	1.3	-1.4	-6.8	-5.1	-3.0
Airlines	-2.6	-3.5	1.3	-1.4	-6.8	-5.1	-3.0
<b>Road &amp; Rail</b>	-0.6	-5.8	-4.4	12.7	13.5	30.9	23.0
Railroads	-0.7	-6.0	-4.6	12.9	13.5	30.9	23.0
<b>Consumer Discretionary</b>	<b>0.6</b>	<b>0.2</b>	<b>-5.6</b>	<b>-3.3</b>	<b>17.2</b>	<b>-7.4</b>	<b>12.1</b>
<b>Automobiles &amp; Components</b>	-0.8	-4.5	-12.5	3.7	22.4	-34.9	-4.8
<b>Auto Components</b>	-0.5	-0.8	-6.6	30.8	10.5	-19.6	5.6
Auto Parts & Equipment	0.5	0.0	-2.3	31.6	10.7	-23.8	0.6
Tires & Rubber	-4.1	-3.7	-20.4	31.8	24.6	1.8	40.6
<b>Automobiles</b>	-1.0	-6.5	-15.7	-7.5	28.1	-40.6	-8.2
Automobile Manufacturers	-1.1	-6.6	-18.0	1.8	23.6	-49.2	-16.9
Motorcycle Manufacturers	-1.0	-6.2	-9.8	-23.7	36.9	-15.2	27.8
<b>Consumer Durables &amp; Apparel</b>	-1.4	-3.8	-10.5	-8.8	4.6	0.4	21.9
<b>Household Durables</b>	-2.4	-4.2	-11.3	-16.5	-6.9	8.5	20.3
Consumer Electronics	-0.4	-2.3	-2.9	13.5	20.7	0.0	0.0
Home Furnishings	-2.3	-1.6	-7.5	-14.6	4.1	-19.2	31.4
Homebuilding	-6.2	-11.9	-24.8	-46.1	-20.9	25.8	32.9
Household Appliances	-1.3	-2.4	-7.5	11.2	1.4	4.3	20.8
Housewares & Specialties	-0.8	0.5	-4.4	-5.8	14.0	4.0	6.0
<b>Leisure Equipment &amp; Products</b>	-2.7	-1.4	-11.4	-2.8	18.3	-18.8	14.8
Leisure Products	-2.4	-4.5	-14.7	-5.5	22.5	-13.8	9.4
Photographic Products	-3.2	5.6	-4.2	3.4	10.3	-27.4	25.6
<b>Textiles Apparel &amp; Luxury Goods</b>	0.4	-4.3	-9.1	0.2	22.9	0.6	28.5
Apparel Accessories & Luxury Goods	-1.9	-6.7	-12.4	-6.8	28.5	2.5	27.0
Footwear	4.1	-0.2	-3.3	13.8	15.6	-0.6	30.1
<b>Consumer Services</b>	-0.4	2.3	-0.6	1.4	18.5	-0.2	37.7
<b>Hotels Restaurants &amp; Leisure</b>	-0.5	2.5	-0.1	0.6	22.4	2.0	37.7
Casinos & Gaming	2.2	4.2	-1.4	-6.9	31.1	-5.0	8.2
Hotels Resorts & Cruise Lines	-0.3	2.1	2.5	2.0	13.1	0.3	44.1
Restaurants	-1.3	2.3	-1.4	1.9	25.3	5.1	41.0
<b>Diversified Consumer Services</b>	0.8	-0.7	-7.0	13.4	-21.3	-	-
Education Services	-0.6	-0.7	0.4	50.6	-35.5	-	-
Specialized Consumer Services	2.7	-0.6	-15.1	-13.9	-6.2	-	-
<b>Media</b>	0.0	-1.2	-6.8	-7.0	29.3	-13.4	-3.4
<b>Media</b>	0.0	-1.2	-6.8	-7.0	29.3	-13.4	-3.4
Advertising	0.0	-0.4	-3.8	-4.6	23.9	-6.8	-6.5
Broadcasting & Cable TV	1.5	0.1	-5.3	-4.4	42.8	-16.9	-9.1
Movies & Entertainment	-0.7	-0.5	-5.6	-6.7	27.2	-12.4	0.6
Publishing	-1.7	-9.5	-17.9	-17.4	13.2	-14.2	-4.2
<b>Retailing</b>	2.9	3.2	-3.8	-0.7	9.4	-1.1	21.6
<b>Distributors</b>	2.5	4.4	0.2	4.7	8.0	-0.3	32.7
Distributors	2.5	4.4	0.2	4.7	8.0	-0.3	32.7
<b>Internet &amp; Catalog Retail</b>	0.4	0.7	7.2	51.8	-11.8	-25.3	80.0
Internet Retail	0.4	0.7	7.2	51.8	-11.8	-25.3	80.0
<b>Multiline Retail</b>	2.3	2.2	-7.3	-0.8	20.2	7.9	21.2
Department Stores	0.3	-2.7	-13.9	-12.7	33.4	13.3	20.0
General Merchandise Stores	4.6	8.4	1.4	16.3	4.7	1.8	22.5
<b>Specialty Retail</b>	3.6	4.0	-3.1	-5.2	5.5	2.1	11.5
Apparel Retail	-0.7	6.9	0.6	-4.6	20.4	-9.7	6.8
Computer & Electronics Retail	-0.7	-2.5	-11.6	-9.3	5.2	4.4	15.9
Home Improvement Retail	6.8	5.5	-0.9	-2.4	-1.4	1.6	15.1
Specialty Stores	3.1	3.1	-6.0	-13.8	20.7	17.6	4.9
Automotive Retail	-2.2	-3.8	-12.7	-0.7	14.5	-	-
Homefurnishing Retail	-1.8	0.0	-3.8	-9.1	5.4	-	-
<b>Consumer Staples</b>	<b>-0.4</b>	<b>2.5</b>	<b>0.0</b>	<b>3.8</b>	<b>11.8</b>	<b>1.3</b>	<b>6.0</b>
<b>Food &amp; Staples Retailing</b>	-0.1	0.9	-2.5	2.1	5.7	-5.2	2.6
Food & Staples Retailing	-0.1	0.9	-2.5	2.1	5.7	-5.2	2.6
Drug Retail	1.5	5.0	3.7	9.3	8.0	15.9	10.8
Food Distributors	-1.1	4.7	1.2	-9.2	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	-2.6	3.2	-4.3	4.8	15.7	4.3	-3.4
Hypermarkets & Super Centers	-0.2	-3.4	-6.6	-1.6	0.1	-9.5	1.7
Food Beverage & Tobacco	-0.2	2.7	-0.7	5.8	14.4	3.8	5.4
Beverages	-0.1	3.3	2.1	8.3	11.9	1.3	-4.8
Brewers	2.3	1.2	-5.1	1.8	14.3	-15.3	-1.9
Distillers & Vintners	-2.2	8.8	-1.3	-3.8	3.3	25.2	4.2
Soft Drinks	-0.4	3.5	3.7	10.3	12.0	4.5	-5.7
Food Products	-0.9	0.8	-4.2	2.6	15.8	-8.3	18.6
Agricultural Products	1.9	0.3	1.8	5.4	29.6	10.5	46.6
Packaged Foods & Meats	-1.2	0.8	-5.0	1.6	13.5	-10.5	16.2
Tobacco	0.3	4.0	-1.2	6.1	17.0	19.8	13.6
Tobacco	0.3	4.0	-1.2	6.1	17.0	19.8	13.6
Household & Personal Products	-1.2	3.6	4.4	1.4	12.6	4.4	12.2
Household Products	-1.2	4.3	5.3	1.3	12.3	2.4	10.2
Household Products	-1.2	4.3	5.3	1.3	12.3	2.4	10.2
Personal Products	-0.9	-5.4	-7.1	3.5	15.4	16.3	19.4
Personal Products	-0.9	-5.4	-7.1	3.5	15.4	16.3	19.4
Health Care	-0.2	2.3	-2.2	2.9	5.8	4.9	0.2
Health Care Equipment & Services	0.1	3.1	-0.8	6.8	-0.2	17.4	17.3
Health Care Equipment & Supplies	-0.2	2.3	-1.9	3.5	3.2	-0.1	12.3
Health Care Equipment	-0.2	2.4	-1.8	3.2	3.4	-0.5	12.1
Health Care Supplies	-0.2	-1.1	-9.0	21.4	-2.9	16.9	20.9
Health Care Providers & Services	0.3	3.6	0.2	9.1	-2.3	34.2	22.6
Health Care Distributors	-2.1	2.4	-2.9	8.3	-1.8	28.8	-2.9
Health Care Services	-0.1	5.1	7.1	35.6	4.9	32.2	17.4
Health Care Facilities	-1.9	-11.4	-20.1	-10.8	1.2	10.4	-10.9
Managed Health Care	1.3	4.2	0.0	3.0	-6.6	42.7	52.7
Pharmaceuticals & Biotechnology	-0.3	1.8	-3.0	0.8	9.9	-2.0	-7.1
Biotechnology	1.0	-1.1	-2.0	-2.9	-2.7	18.3	7.6
Biotechnology	1.0	-1.1	-2.0	-2.9	-2.7	18.3	7.6
Pharmaceuticals	-0.6	2.4	-3.5	1.0	12.6	-5.9	-9.5
Pharmaceuticals	-0.6	2.4	-3.5	1.0	12.6	-5.9	-9.5
Financials	-2.5	1.3	-6.8	-8.7	16.2	3.7	8.2
Banks	-2.3	3.2	-5.1	-9.9	12.3	-4.8	10.9
Commercial Banks	-2.1	3.7	-3.7	-8.8	11.5	-2.2	11.1
Diversified Banks	-1.0	6.6	-0.5	-6.4	12.0	-1.2	13.5
Regional Banks	-3.4	0.1	-7.8	-11.9	10.9	-4.2	6.4
Thriffs & Mortgage Finance	-3.0	1.7	-9.1	-13.0	13.4	-13.0	10.4
Thriffs & Mortgage Finance	-3.0	1.7	-9.1	-13.0	13.4	-13.0	10.4
Diversified Financials	-2.9	-0.4	-8.3	-10.0	20.7	7.2	5.9
Diversified Financial Services	-2.7	2.4	-4.9	-10.5	15.9	2.9	0.2
Other Diversified Financial Services	-2.9	3.0	-4.3	-10.1	16.3	1.5	-1.0
Specialized Finance	-1.0	-4.7	-11.8	-13.6	4.5	29.0	42.6
Consumer Finance	-2.7	-1.5	-10.1	-6.6	4.9	2.3	22.2
Consumer Finance	-2.7	-1.5	-10.1	-6.6	4.9	2.3	22.2
Capital Markets	-3.3	-4.2	-12.4	-10.3	32.4	15.4	6.9
Asset Management & Custody Banks	-2.8	-2.9	-6.5	2.2	16.7	11.7	6.2
Investment Banking & Brokerage	-3.5	-4.9	-15.5	-16.0	39.6	17.0	3.2
Insurance	-2.5	1.7	-6.8	-4.0	9.3	12.5	5.9
Insurance	-2.5	1.7	-6.8	-4.0	9.3	12.5	5.9
Insurance Brokers	0.1	1.7	-7.2	0.6	-2.7	12.9	-24.2
Life & Health Insurance	-2.7	2.5	-4.4	5.1	15.0	20.9	20.4
Multi-line Insurance	-2.6	1.3	-7.1	-6.4	6.4	7.8	2.7
Property & Casualty Insurance	-2.7	1.5	-8.3	-8.9	10.7	13.0	8.4
Real Estate	0.6	4.9	-2.0	-10.1	36.8	7.4	21.9
Real Estate						7.4	21.9
Real Estate Investment Trusts	0.8	5.8	-1.3	-10.0	36.9	7.4	21.9
Information Technology	1.4	2.7	2.3	11.4	7.7	0.4	2.1
Software & Services	-0.1	0.6	-2.7	2.8	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	-0.5	1.5	-3.8	7.5	-20.7	4.0	66.8
Internet Software & Services	-0.5	1.5	-3.8	7.5	-20.7	4.0	66.8
IT Services	-1.5	-2.8	-6.3	1.6	9.5	3.4	3.3
IT Consulting & Other Services	-0.7	-9.2	-6.0	-5.0	19.1	-42.7	-31.4
Data Processing & Outsourced Services	-1.5	-2.1	-6.3	2.4	9.4	4.7	4.7
Software	0.6	1.3	-0.9	1.4	14.5	-4.2	9.0
Application Software	2.7	3.0	-0.4	5.7	5.3	10.6	11.6
Systems Software	0.2	0.8	-1.5	0.6	16.9	-5.3	7.9
Home Entertainment Software	0.7	8.8	11.9	5.1	-3.7	-15.2	29.1
Technology Hardware & Equipment	2.3	4.2	6.1	17.4	14.9	-1.7	8.7
Communications Equipment	2.7	4.5	5.2	11.9	15.1	1.8	2.8
Communications Equipment	2.7	4.5	5.2	11.9	15.1	1.8	2.8
Computers & Peripherals	2.3	4.9	8.4	23.6	16.0	-3.9	14.8
Computer Hardware	2.7	5.0	9.0	25.4	17.8	-1.7	13.9
Computer Storage & Peripherals	-0.3	3.8	4.1	12.1	6.7	-17.1	20.9
Electronic Equipment & Instruments	-0.1	-3.1	-6.9	-2.4	-0.6	1.2	-8.5
Electronic Equipment Manufacturers	2.8	-4.1	-5.1	5.9	10.8	15.8	-2.4
Electronic Manufacturing Services	-1.7	-2.5	-7.8	-10.9	-13.9	-11.9	-17.0
Office Electronics	1.7	-1.9	-7.3	1.1	15.7	-13.9	23.3
Office Electronics	1.7	-1.9	-7.3	1.1	15.7	-13.9	23.3
Semiconductors	2.1	4.4	2.8	16.2	-9.9	11.2	-21.3
Semiconductors & Semiconductor Equipment	2.0	3.3	2.9	15.3	-8.1	10.0	-21.8
Semiconductors & Semiconductor Equipment	2.0	3.3	2.9	15.3	-8.1	10.0	-21.8
Semiconductor Equipment	1.3	-1.8	3.4	10.1	5.3	2.0	-25.0
Telecommunication Services	-1.0	-0.1	-3.0	10.2	32.1	-9.0	16.0
Telecommunication Services	-1.0	-0.1	-3.0	10.2	32.1	-9.0	16.0
Diversified Telecommunication Services	-1.2	0.9	-2.4	11.6	43.9	-8.9	9.3
Integrated Telecommunication Services	-1.2	0.9	-2.4	11.6	43.9	-8.9	9.3
Wireless Telecommunication Services	0.0	-4.7	-5.9	3.7	-3.4	1.6	57.3
Wireless Telecommunication Services	0.0	-4.7	-5.9	3.7	-3.4	1.6	57.3
Utilities	-2.5	1.8	-2.1	5.0	16.9	12.8	19.6
Utilities	-2.5	1.8	-2.1	5.0	16.9	12.8	19.6
Electric Utilities	-2.6	2.7	-0.8	6.7	19.0	13.5	21.8
Electric Utilities	-2.6	2.7	-0.8	6.7	19.0	13.5	21.8
Gas Utilities	-1.9	-1.6	-5.1	14.8	21.1	-6.6	9.9
Gas Utilities	-1.9	-1.6	-5.1	14.8	21.1	-6.6	9.9
Multi-Utilities	-2.6	1.9	-2.2	-0.4	12.3	13.1	15.1
Multi-Utilities	-2.6	1.9	-2.2	-0.4	12.3	13.1	15.1
Independent Power Producers & Energy Traders	-1.9	-0.9	-5.8	11.5	24.4	-	-
Independent Power Producers & Energy Traders	-1.9	-0.9	-5.8	11.5	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)	-0.4	1.3	-2.0	3.9	13.6	3.0	9.0
Dow Jones 30 Industrials	-0.2	1.1	-0.4	7.2	16.3	-0.6	3.1
Dow Jones 65 Composite	-0.9	-0.2	-2.1	6.9	13.3	7.1	13.2
Dow Jones Wilshire 5000 (Full cap)	-0.3	1.1	-2.4	4.1	13.9	4.6	10.8
Russell 1000	-0.3	1.2	-2.1	4.0	13.3	4.4	9.5
Russell 3000	-0.3	1.2	-2.3	3.8	13.7	4.3	10.1
NASDAQ Composite Index	0.8	2.0	-0.3	7.5	9.5	1.4	8.6
S&P Mid Cap	-0.2	0.8	-3.6	7.3	9.0	11.3	15.2
Russell Mid Cap	-0.3	0.0	-3.7	5.1	13.5	11.0	18.4
Russell 2000	-0.8	2.2	-4.9	0.7	17.0	3.3	17.0
S&P Small Cap	-0.7	1.8	-3.4	4.4	14.1	6.7	21.6
Russell Micro Cap (TR)	-1.2	0.0	-7.0	-3.0	16.5	-	-

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