Barrington Research™
Economic and Investment Research

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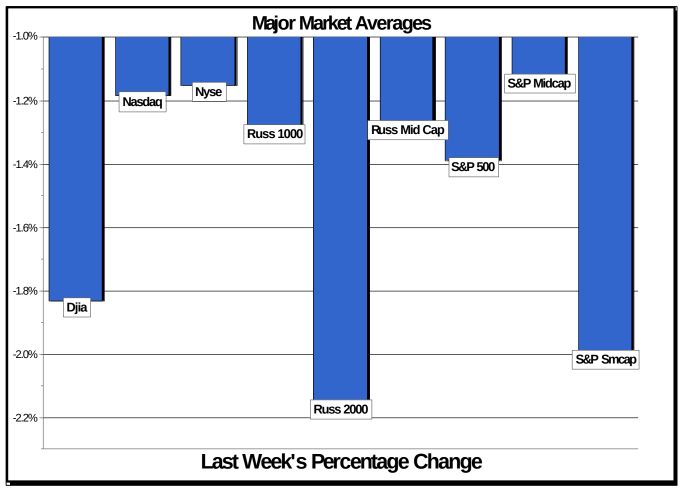
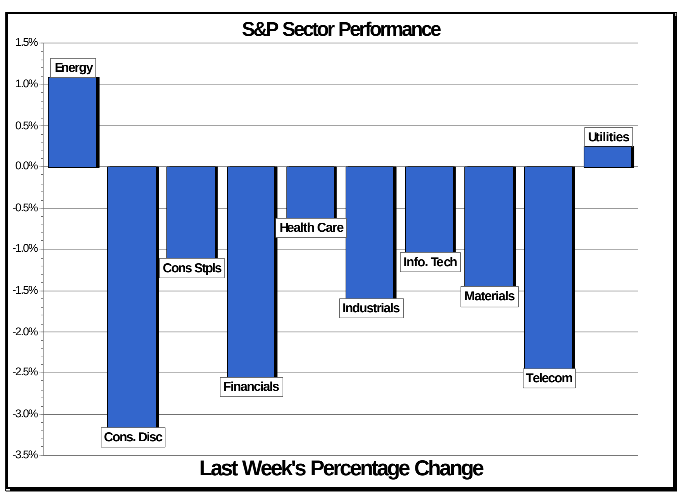
MARKET WEEK
September 10, 2007

Economic Fears Accelerate

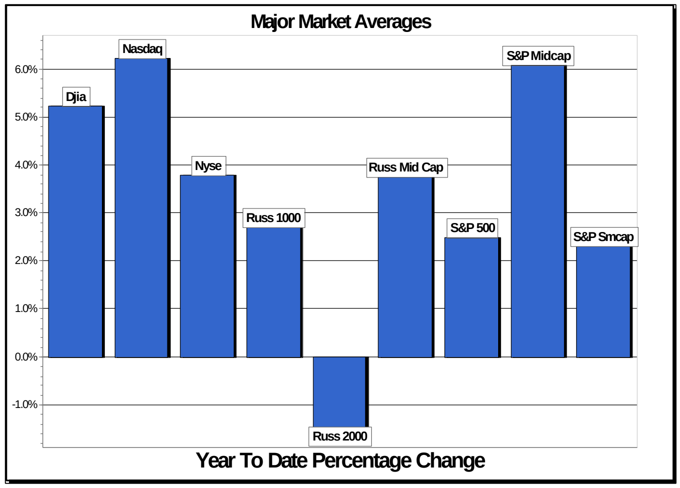


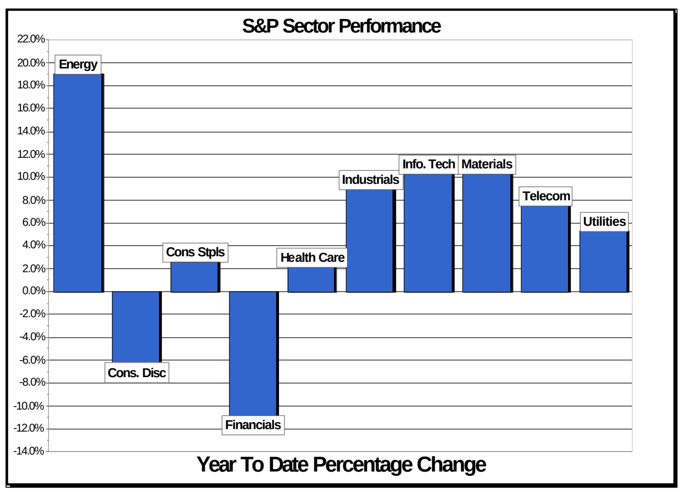
We noted in last week's issue that the market would be challenged by the economic news in the first week of September and that, even the investors who became tentatively comfortable that the Fed's discount window moves may have sufficiently eliminated credit market panic, might switch their concerns to what impact the credit crisis would have on the real economy. Those new fears became abundantly clear last Friday after the government's surprisingly negative Friday employment report. The reaction to the report was immediate and predictable—all stock market averages fell by around 2%; bonds rallied as investors sought a safe haven with the 10-year Treasury yield falling to 4.37% (the lowest since January 2006); the dollar fell against most currencies on expectations of a U.S. rate cut and the signs of a weakening economy; and gold prices rose. Financial futures priced in a half-point Fed cut for September 18 to 4.75% on Friday compared to their quarter-point forecast on Thursday. The former Fed chairman did not help the market by comparing current conditions to 1987 and 1998 while two homebuilders, Beazer Homes land Hovnanian Enterprises, reminded investors of just how bad the housing market is. European stock markets also fell on Friday after the U.S. job report. The market had held even for the first three days of the abbreviated week despite the surprising 12.2% drop in pending home sales and other bad news on housing such as rising second quarter foreclosures and a negative construction spending report.



Investor concerns about the economy were also evident last week in the relative S&P sector performance. As might have been expected, the cyclical sectors dominated the bottom of the performance list with only the technology sector (-1.1%) managing to outperform the S&P 500 (-1.4%). The defensive sectors, including the utilities (+0.2%), health care (-0.7%) and consumer staples (-1.1%) all outperformed the market. After rebounding sufficiently toward the end of August in response to Fed bailout moves to finish as number one performer for the month, the financial sector (-2.6%) gave it all back last week in response to bad housing news and another round of credit fears. Aside from the small gain in utilities, energy (+1.1%) was the only other sector with a gain driven by nearly a 4% increase in crude oil prices to $76.70. The ebbing relative performance in the cyclical sectors, however, did not just start with the employment report as they were all at the bottom of the performance list for the month of August as well.

It is not like the job report was a bolt out of the blue telling investors the economy was slowing. Most economists including myself have been looking for a significant slowing in third quarter GDP growth from the unsustainable second quarter increase. The fairly busy economics calendar last week was not particularly investor friendly but the August data were not signaling substantially lower third quarter economic growth than what economists had already been expecting. The ISM service sector index for August was actually better than expected and was indicating reasonably healthy continuing growth in services. The Fed's relatively upbeat Beige Book also disappointed investors who were hoping for indications of significantly weaker growth that would give the Fed more reason to cut rates. Instead, all districts reported continuing modest economic growth. The two August reports on manufacturing were positive, as were a half dozen others in the previous week, indicating little negative impact from the credit crisis. Retail chain stores sales were also better than expected in August with the majority of retailers above plan, even though growth was still sluggish. Auto sales were also significantly better in August than in July. Just about every report on housing was bad but that was already known and the question among investors is whether or not the housing-related credit crisis spreads to the rest of the economy in August. Up until Friday, the answer wasn't entirely clear and certainly not obvious. Then came Friday's August government's employment report that was significantly more negative than other non-housing data, sufficiently so that it bears some closer examination. For one thing, government job cutbacks were surprisingly large for the last couple of months and, excluding the government, private sector jobs grew in August, perhaps a better sign of underlying private sector economic strength. Secondly, employment is a lagging indicator not a leading one, and had already been gradually slowing for much of the year, not because of the credit crisis but as a lagged response to a year of 2% GDP growth. Employment growth is weakening as an increase in layoffs was added to already slow hiring but not necessarily any faster than the rest of the economy and investors likely overreacted.





The Week Ahead

As discussed below, this week's economics calendar is going to be quiet relative to the previous week with any high-profile reports not coming until Friday. By then, investors will be focusing most of their attention on how to place their bets for the following week's Fed announcement on September 18. Fed officials will be fairly busy on the speaking circuit, including Bernanke, talking about economic growth and monetary policy, but it looks like they start shutting down the talk near the end of the week as they move into the quiet period before the FOMC meeting. That will help with the debate on the interest rate decision, although many believe the employment report was the last nail in the coffin, the final reason why the Fed has to make some kind of move. OPEC will be meeting on Tuesday with expectations that they will hold production steady. With growing concerns about slowing economic growth and a possible negative impact on oil demand, some believe that no action from OPEC will tend to drive oil prices lower. U.S. crude inventories are at the highest level since 1998.

Notwithstanding a general consensus that the stock market will follow through with more heavy selling following Friday's assault, how the market behaves in the coming week is still an open question. It should be another volatile week as investors position their portfolios for a Fed rate cut. Three Fed officials spoke on Thursday, before the job report, and they all saw no contagion in the economy from the credit markets. Many are likely wondering what they would have said with the benefit of having seen the job report. There will be three more Fed speeches on Monday from officials that did see the job report plus a speech from Bernanke on Tuesday. Should they offer some more stronger language for a rate cut, they could get investors scurrying to position their portfolios more aggressively for a rate cut in the following week, taking the market higher in anticipation. In short, the market could just as well be up in the coming week.

Historically over the last half dozen initial Fed easings after a restrictive period, the stock market rallied in anticipation, sold off briefly just afterward, and then went on to an extended rally over the following 12 months. As for the question as to whether the market has already discounted the rate cut, if so there certainly wasn't much irrational exuberance to worry about. According to Morgan Stanley, large-cap growth stocks have tended to outperform in the year following the first rate cut. In the current period, large-cap stocks have only recently begun to outperform for the first time after underperforming since 1999. Moreover, current stronger growth in overseas economies compared to the U.S. and the weaker dollar tends to favor large U.S. companies with significant overseas exposure with growth stocks likely to be bigger beneficiaries.

Economic News

This week's economics calendar is going to seem fairly tame to investors compared to last week's, especially the employment shock. Moreover, most of the reports usually of most interest to the media will not be released until the last day of the week. There are several important international reports next week but the media does not usually afford them the attention they should because they explain a significant part of the current credit crisis and an important potential source of the next one. Aside from that, the rest of the attention will likely fall on industrial production and retail sales reports for August.

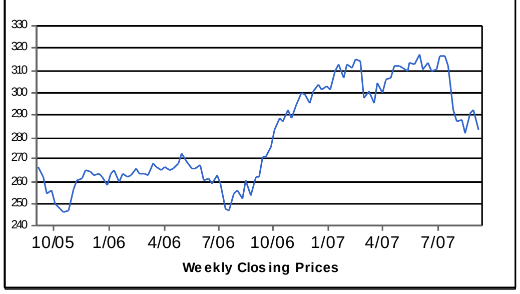
International: The monthly ***U.S. trade deficit*** leads off the first of three international reports in the week ahead. It is expected to widen to $59.5 billion in July from $58.1 billion in June. The deficit had been steadily expanding for nearly a decade starting in the late 1990's. Helped by the weak dollar, however, the deficit has been gradually narrowing since peaking in July/August 2006 at over the $67 billion level. The progress is slow, however, and the deficit is still large, adding substantially each month to the already huge foreign portfolio holdings of U.S. dollar-denominated securities which represent a potential inflationary threat for the U.S. ***Import prices*** will also be reported on Friday and are expected to increase in August for the seventh consecutive month, spurred by the continuing U.S. demand for imports and rising oil import prices. While the lower dollar is spurring stronger U.S. exports, it also raises the price of imports, which, in turn, adds to domestic inflation. On the same day, the second quarter ***current account deficit*** will be reported. This broadest measure of international transactions includes not only the trade deficit for goods and services but also international monetary flows including income, dividends, interest and other flows. Because the U.S. is now a net debtor to the world as well as running trade deficits, the U.S. current account deficit has also continued to reach new record highs every quarter. In this instance, however, it is expected to have a rare narrowing to $190.5 billion from $192.6 billion in June.

Consumer/Employment: The August total ***retail sales*** report on Friday is one of the key reports of the week, especially with investors anxious to see how the credit crisis was impacting the economy in August. Last week's reasonably positive reports on chain store sales and auto sales, however, took away most of any surprise. Reported sales are expected to be up a healthy 0.6% compared to a 0.3% July increase, not exciting but nothing like the employment surprise. The University of Michigan's initial September report on ***consumer sentiment*** will also come on Friday with the consensus looking for only a very modest decline in September following the August drop to 83.4. Since both this survey and the Conference Board's consumer confidence index had sharp drops in August in response to the credit crisis, the media is sure to take a good look at this report to see if the waning consumer confidence carried over into early September, especially with the employment shock. ***Consumer installment credit*** will also be reported right away on Monday. Growth is expected to drop significantly from the surprising $13.2 billion gain in June to something closer to $8 billion. The market does not usually pay much attention to this report absent some significant surprise. With growing mortgage foreclosures and increased concern about heavy consumer debt and falling home prices, investors may be more interested than usual. Consumer spending on homes, as evidenced by the MBA's weekly ***mortgage applications*** report, should not show anything encouraging. Applications have been softening again in recent weeks.

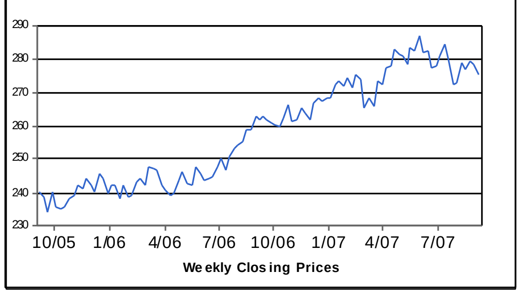
The August report on ***industrial production*** will also be coming out on Friday and, like all of a number of other manufacturing reports, is expected to be no slower than the 0.3% July increase with capacity utilization expected to edge a little higher. We will have a couple of other employment-related reports in the coming week as a check on the August job report. ***Weekly unemployment claims*** have been increasing modestly for the past five weeks, giving some advance signal of the job report, so it will be helpful to see if the trend continued into early September. The fourth quarter ***Manpower Survey*** is also due out this week on Tuesday and will provide some information on employer hiring intentions for the fourth quarter. Finally, total ***business inventories*** for July will be released on Friday and are expected to be up 0.3% compared to a 0.4% June increase. Inventories at the wholesale level were already reported to be slower with the inventory/sales ratio near a record low. We would expect the total inventory picture to look similar. Although the weaker numbers will be a negative for third quarter GDP growth, inventories are lean enough that they should not intensify any economic slowing much but on the other hand would add to any increase in demand.

S&P Sector Performance

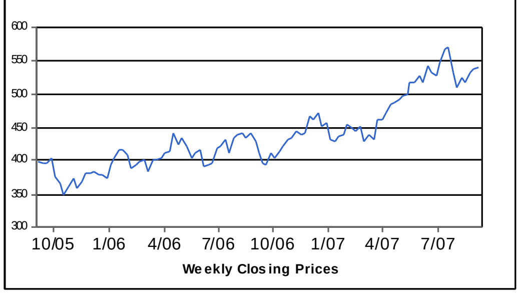
S&P Consumer Discretionary Sector



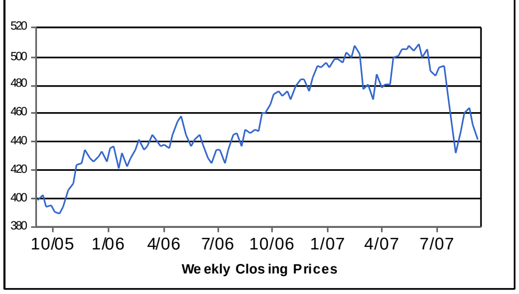
S&P Consumer Staples Sector



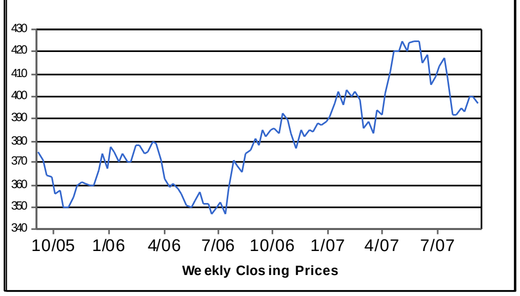
S&P Energy Sector



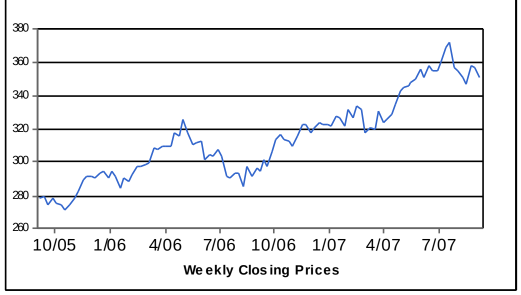
S&P Financials Sector



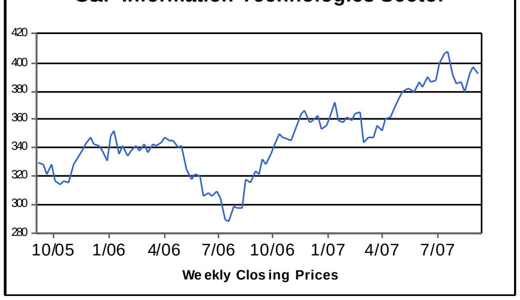
S&P Health Care Sector



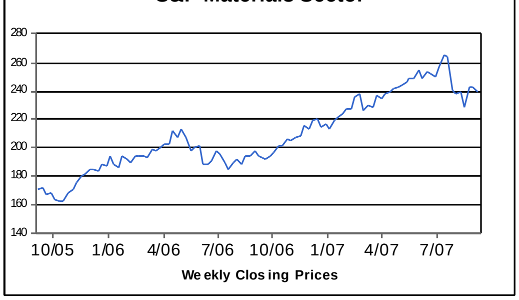
S&P Industrials Sector



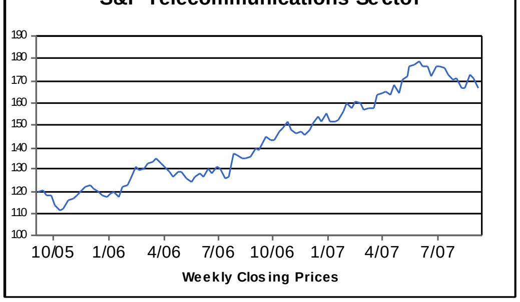
S&P Information Technologies Sector



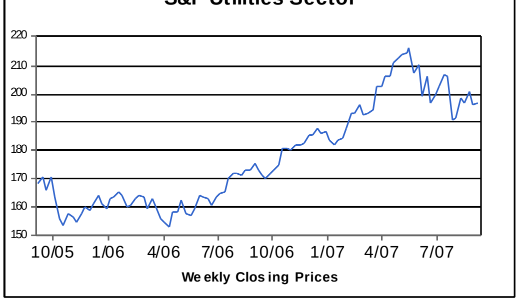
S&P Materials Sector



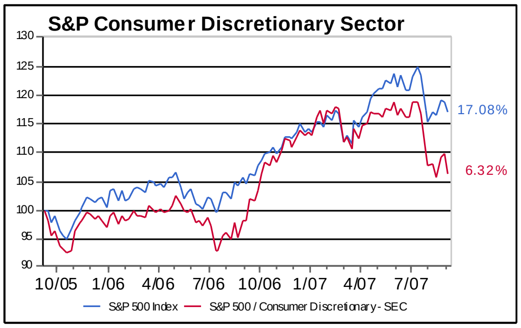
S&P Telecommunications Sector

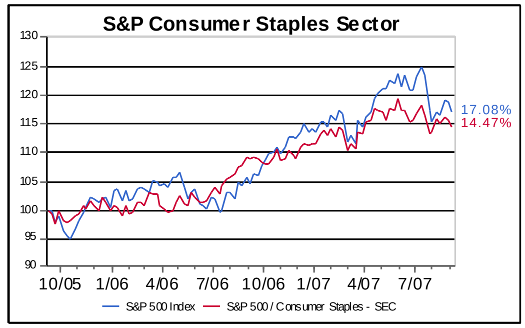


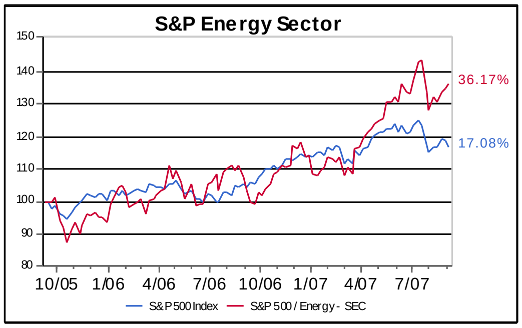
S&P Utilities Sector

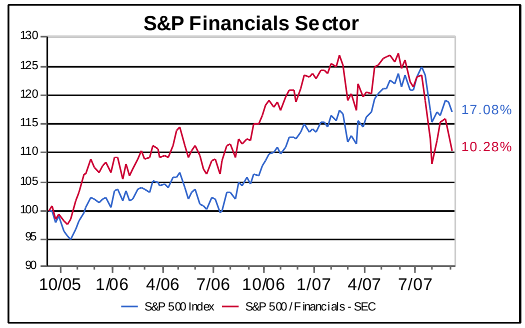


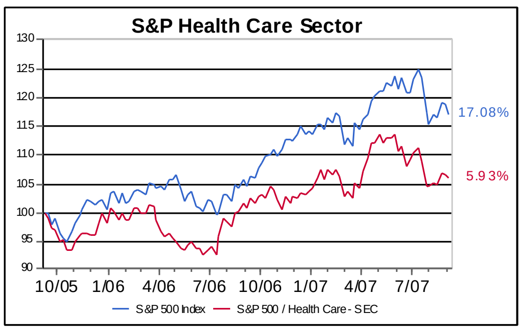
S&P Sector Relative Performance vs. S&P 500 Index

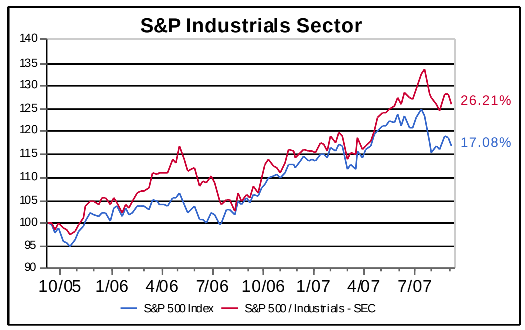


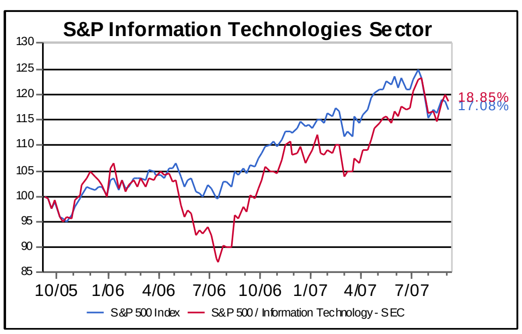


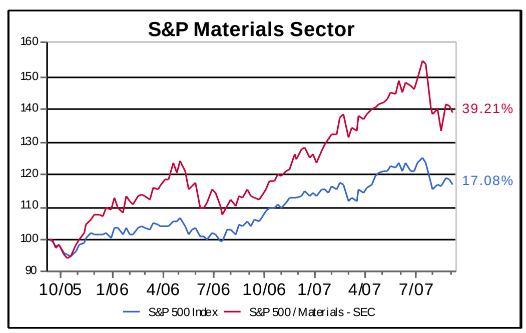


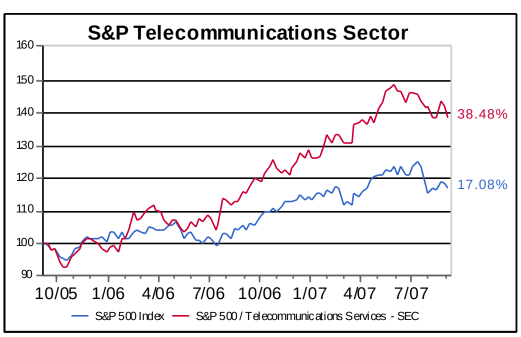


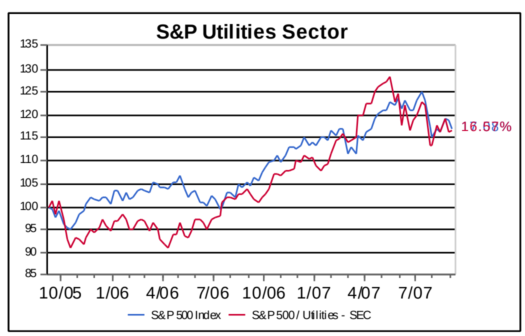




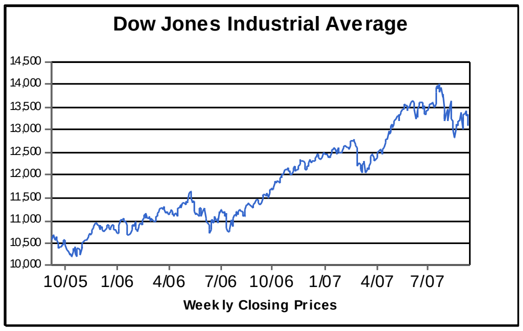


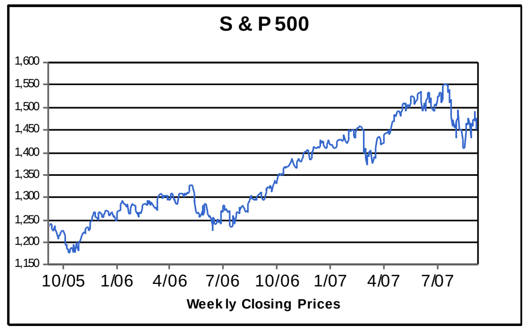


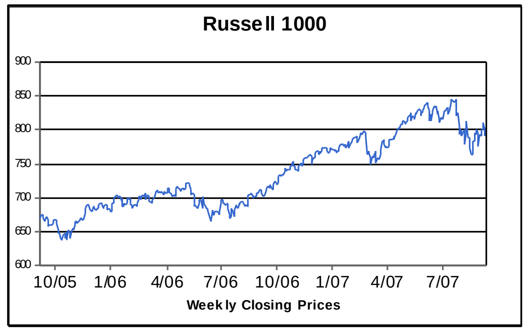


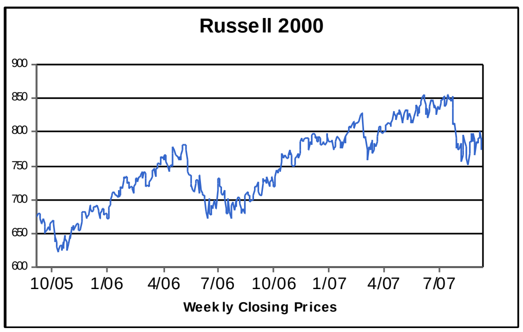


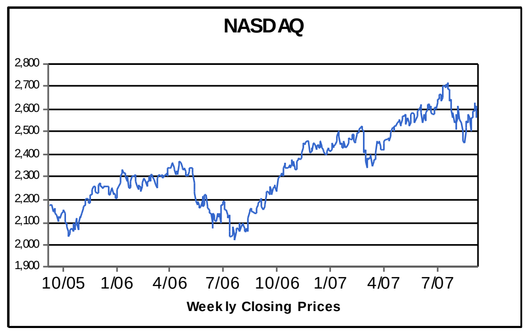
Major Market Averages

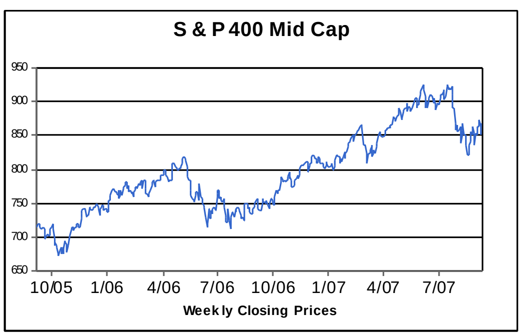


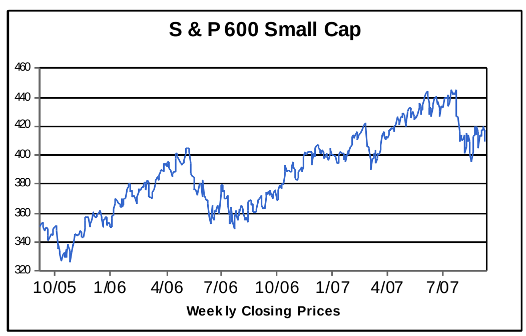












S&P Sectors and Industies	LAST WK	MTD	QTD	YTD	2006	2005	2004
	PERFORMANCE						
Energy	**1.1**	**1.1**	**2.4**	**19.0**	**22.2**	**29.1**	**28.8**
Energy	1.1	1.1	2.4	19.0	22.2	29.1	28.8
Energy Equipment & Services	2.0	2.0	8.0	37.6	11.8	49.0	34.2
Oil & Gas Drilling	2.6	2.6	-1.5	23.6	3.1	53.1	45.1
Oil & Gas Equipment & Services	1.8	1.8	11.0	42.1	14.8	47.3	30.3
Oil Gas & Consumable Fuels	0.9	0.9	1.0	15.0	24.7	25.3	27.9
Oil & Gas Exploration & Production	2.9	2.9	-3.4	16.2	4.0	65.2	33.4
Oil & Gas Storage & Transportation	1.9	1.9	-4.6	1.5	16.6	-	-
Integrated Oil & Gas	0.4	0.4	2.6	14.8	31.9	15.1	25.6
Oil & Gas Refining & Marketing	1.3	1.3	-6.3	32.3	-5.7	77.3	61.5
Materials	**-1.5**	**-1.5**	**-4.5**	**10.3**	**15.7**	**2.2**	**10.8**
Materials	-1.5	-1.5	-4.5	10.3	15.7	2.2	10.8
Chemicals	-2.2	-2.2	-1.8	10.2	13.5	-3.0	16.5
Diversified Chemicals	-2.7	-2.7	-6.0	1.4	7.1	-12.5	12.6
Fertilizers & Agricultural Chemicals	0.2	0.2	3.5	33.1	35.5	39.6	93.0
Industrial Gases	-2.5	-2.5	5.3	24.5	14.9	11.4	12.7
Specialty Chemicals	-2.7	-2.7	-1.8	1.4	20.6	2.1	13.4
Construction Materials	-6.0	-6.0	-26.1	-5.8	32.6	24.1	14.8
Construction Materials	-6.0	-6.0	-26.1	-5.8	32.6	24.1	14.8
Containers & Packaging	-2.8	-2.8	-11.5	-4.5	19.4	2.0	14.4
Metal & Glass Containers	-1.2	-1.2	-5.6	-0.6	32.2	-11.0	25.7
Paper Packaging	-4.0	-4.0	-15.3	-7.0	11.9	11.7	6.9
Metals & Mining	0.2	0.2	-3.3	18.3	23.6	17.2	0.4
Aluminum	-4.5	-4.5	-14.0	16.2	1.5	-5.9	-17.3
Diversified Metals & Mining	3.2	3.2	8.9	57.9	44.6	48.8	9.7
Gold	4.6	4.6	13.2	-2.1	-15.4	20.2	-8.6
Steel	-0.7	-0.7	-10.3	7.7	75.8	20.7	58.1
Paper & Forest Products	-1.2	-1.2	-12.7	-0.2	2.6	-4.7	7.4
Forest Products	-1.3	-1.3	-14.7	-4.7	2.1	-0.7	10.3
Paper Products	-1.1	-1.1	-11.2	2.4	3.1	-6.6	5.9
Industrials	**-1.6**	**-1.6**	**-0.9**	**8.9**	**11.0**	**0.4**	**16.0**
Capital Goods	-1.6	-1.6	0.2	11.2	12.4	0.2	16.7
Aerospace & Defense	-1.8	-1.8	1.3	12.8	23.1	14.0	14.0
Aerospace & Defense	-1.8	-1.8	1.3	12.8	23.1	14.0	14.0
Building Products	-4.1	-4.1	-13.7	-6.1	4.7	-12.4	29.4
Building Products	-4.1	-4.1	-13.7	-6.1	4.7	-12.4	29.4
Construction & Engineering	2.8	2.8	17.4	60.1	5.7	41.7	37.5
Construction & Engineering	2.8	2.8	17.4	60.1	5.7	41.7	37.5
Electrical Equipment	-2.8	-2.8	-1.2	9.1	17.3	8.3	11.8
Electrical Components & Equipment	-2.8	-2.8	-1.2	9.1	17.3	8.3	11.8
Industrial Conglomerates	-0.7	-0.7	0.3	5.5	5.7	-6.1	16.9
Industrial Conglomerates	-0.7	-0.7	0.3	5.5	5.7	-6.1	16.9
Machinery	-2.6	-2.6	-0.7	24.4	16.4	-0.6	18.6
Construction & Farm Machinery & Heavy Trucks	-2.6	-2.6	-0.1	31.5	20.6	2.6	21.0
Industrial Machinery	-2.5	-2.5	-1.5	17.5	12.7	-3.1	16.8
Trading Companies & Distributors	-3.8	-3.8	-5.3	26.0	-1.6	6.7	40.6
Trading Companies & Distributors	-3.8	-3.8	-5.3	26.0	-1.6	6.7	40.6
Commercial Services & Supplies	-1.6	-1.6	-10.5	-6.7	9.0	-3.8	4.9
Commercial Services & Supplies	-1.6	-1.6	-10.5	-6.7	9.0	-3.8	4.9
Commercial Printing	-0.6	-0.6	-18.2	0.2	3.9	-3.1	17.0
Diversified Commercial & Professional Services	-2.9	-2.9	-13.0	-9.3	2.4	-12.7	2.5
Human Resource & Employment Services	-4.2	-4.2	-18.1	-23.7	5.1	25.3	36.9
Environmental & Facilities Services	-1.6	-1.6	-5.3	1.0	23.2	0.1	-5.9
Office Services & Supplies	0.3	0.3	-6.3	-6.3	14.3	-8.2	11.2
Transportation	-2.1	-2.1	-3.1	3.2	5.6	3.5	19.6
Air Freight & Logistics	-2.0	-2.0	-0.3	-1.5	1.6	-8.1	21.1
Air Freight & Logistics	-2.0	-2.0	-0.3	-1.5	1.6	-8.1	21.1

S&P Sectors and Industies	LAST WK	MTD	QTD	YTD	2006	2005	2004
	PERFORMANCE						
Airlines	-1.9	-1.9	-0.6	-3.3	-6.8	-5.1	-3.0
Airlines	-1.9	-1.9	-0.6	-3.3	-6.8	-5.1	-3.0
Road & Rail	-2.1	-2.1	-6.5	10.3	13.5	30.9	23.0
Railroads	-2.1	-2.1	-6.6	10.6	13.5	30.9	23.0
Consumer Discretionary	**-3.2**	**-3.2**	**-8.6**	**-6.4**	**17.2**	**-7.4**	**12.1**
Automobiles & Components	-4.7	-4.7	-16.6	-1.1	22.4	-34.9	-4.8
Auto Components	-3.7	-3.7	-10.1	26.0	10.5	-19.6	5.6
Auto Parts & Equipment	-3.0	-3.0	-5.2	27.7	10.7	-23.8	0.6
Tires & Rubber	-6.3	-6.3	-25.4	23.5	24.6	1.8	40.6
Automobiles	-5.2	-5.2	-20.1	-12.4	28.1	-40.6	-8.2
Automobile Manufacturers	-3.8	-3.8	-21.1	-2.0	23.6	-49.2	-16.9
Motorcycle Manufacturers	-8.7	-8.7	-17.6	-30.3	36.9	-15.2	27.8
Consumer Durables & Apparel	-2.6	-2.6	-12.9	-11.2	4.6	0.4	21.9
Household Durables	-4.1	-4.1	-15.0	-20.0	-6.9	8.5	20.3
Consumer Electronics	-0.5	-0.5	-3.4	12.9	20.7	0.0	0.0
Home Furnishings	-5.5	-5.5	-12.6	-19.4	4.1	-19.2	31.4
Homebuilding	-6.8	-6.8	-30.0	-49.7	-20.9	25.8	32.9
Household Appliances	-4.4	-4.4	-11.6	6.3	1.4	4.3	20.8
Housewares & Specialties	-2.5	-2.5	-6.7	-8.2	14.0	4.0	6.0
Leisure Equipment & Products	-1.8	-1.8	-13.0	-4.6	18.3	-18.8	14.8
Leisure Products	-4.1	-4.1	-18.1	-9.3	22.5	-13.8	9.4
Photographic Products	2.6	2.6	-1.7	6.1	10.3	-27.4	25.6
Textiles Apparel & Luxury Goods	-1.2	-1.2	-10.2	-1.0	22.9	0.6	28.5
Apparel Accessories & Luxury Goods	-0.1	-0.1	-12.5	-6.8	28.5	2.5	27.0
Footwear	-2.9	-2.9	-6.2	10.5	15.6	-0.6	30.1
Consumer Services	-1.5	-1.5	-2.0	-0.1	18.5	-0.2	37.7
Hotels Restaurants & Leisure	-1.6	-1.6	-1.7	-1.0	22.4	2.0	37.7
Casinos & Gaming	0.3	0.3	-1.2	-6.7	31.1	-5.0	8.2
Hotels Resorts & Cruise Lines	-3.3	-3.3	-0.9	-1.4	13.1	0.3	44.1
Restaurants	-0.9	-0.9	-2.3	1.0	25.3	5.1	41.0
Diversified Consumer Services	0.1	0.1	-6.9	13.5	-21.3	-	-
Education Services	0.4	0.4	0.8	51.1	-35.5	-	-
Specialized Consumer Services	-0.2	-0.2	-15.2	-14.0	-6.2	-	-
Media	-1.3	-1.3	-7.9	-8.2	29.3	-13.4	-3.4
Media	-1.3	-1.3	-7.9	-8.2	29.3	-13.4	-3.4
Advertising	-0.5	-0.5	-4.3	-5.1	23.9	-6.8	-6.5
Broadcasting & Cable TV	-2.7	-2.7	-7.9	-6.9	42.8	-16.9	-9.1
Movies & Entertainment	-0.4	-0.4	-6.0	-7.0	27.2	-12.4	0.6
Publishing	-1.5	-1.5	-19.1	-18.6	13.2	-14.2	-4.2
Retailing	-6.0	-6.0	-9.5	-6.7	9.4	-1.1	21.6
Distributors	-2.7	-2.7	-2.6	1.9	8.0	-0.3	32.7
Distributors	-2.7	-2.7	-2.6	1.9	8.0	-0.3	32.7
Internet & Catalog Retail	4.5	4.5	12.1	58.7	-11.8	-25.3	80.0
Internet Retail	4.5	4.5	12.1	58.7	-11.8	-25.3	80.0
Multiline Retail	-6.8	-6.8	-13.6	-7.6	20.2	7.9	21.2
Department Stores	-6.4	-6.4	-19.5	-18.3	33.4	13.3	20.0
General Merchandise Stores	-7.2	-7.2	-5.9	7.9	4.7	1.8	22.5
Specialty Retail	-7.0	-7.0	-9.9	-11.9	5.5	2.1	11.5
Apparel Retail	-4.2	-4.2	-3.7	-8.7	20.4	-9.7	6.8
Computer & Electronics Retail	-3.8	-3.8	-14.9	-12.7	5.2	4.4	15.9
Home Improvement Retail	-8.3	-8.3	-9.1	-10.5	-1.4	1.6	15.1
Specialty Stores	-8.1	-8.1	-13.6	-20.8	20.7	17.6	4.9
Automotive Retail	-7.1	-7.1	-18.8	-7.8	14.5	-	-
Homefurnishing Retail	-5.4	-5.4	-8.9	-14.0	5.4	-	-
Consumer Staples	**-1.1**	**-1.1**	**-1.1**	**2.6**	**11.8**	**1.3**	**6.0**
Food & Staples Retailing	-3.0	-3.0	-5.3	-0.9	5.7	-5.2	2.6
Food & Staples Retailing	-3.0	-3.0	-5.3	-0.9	5.7	-5.2	2.6
Drug Retail	-1.8	-1.8	1.8	7.3	8.0	15.9	10.8
Food Distributors	-1.1	-1.1	0.0	-10.2	18.4	-18.7	2.5

S&P Sectors and Industies	LAST WK	MTD	QTD	YTD	2006	2005	2004
	PERFORMANCE						
Food Retail	-3.7	-3.7	-7.8	0.9	15.7	4.3	-3.4
Hypermarkets & Super Centers	-3.8	-3.8	-10.2	-5.4	0.1	-9.5	1.7
Food Beverage & Tobacco	-0.6	-0.6	-1.3	5.2	14.4	3.8	5.4
Beverages	0.6	0.6	2.7	9.0	11.9	1.3	-4.8
Brewers	0.8	0.8	-4.4	2.6	14.3	-15.3	-1.9
Distillers & Vintners	-2.5	-2.5	-3.8	-6.3	3.3	25.2	4.2
Soft Drinks	0.7	0.7	4.4	11.1	12.0	4.5	-5.7
Food Products	-0.4	-0.4	-4.6	2.2	15.8	-8.3	18.6
Agricultural Products	-2.9	-2.9	-1.1	2.3	29.6	10.5	46.6
Packaged Foods & Meats	-0.1	-0.1	-5.1	1.6	13.5	-10.5	16.2
Tobacco	-2.8	-2.8	-4.0	3.1	17.0	19.8	13.6
Tobacco	-2.8	-2.8	-4.0	3.1	17.0	19.8	13.6
Household & Personal Products	-0.5	-0.5	3.9	1.0	12.6	4.4	12.2
Household Products	-0.1	-0.1	5.2	1.1	12.3	2.4	10.2
Household Products	-0.1	-0.1	5.2	1.1	12.3	2.4	10.2
Personal Products	-4.8	-4.8	-11.5	-1.5	15.4	16.3	19.4
Personal Products	-4.8	-4.8	-11.5	-1.5	15.4	16.3	19.4
Health Care	**-0.7**	**-0.7**	**-2.9**	**2.2**	**5.8**	**4.9**	**0.2**
Health Care Equipment & Services	-0.6	-0.6	-1.4	6.1	-0.2	17.4	17.3
Health Care Equipment & Supplies	0.3	0.3	-1.6	3.8	3.2	-0.1	12.3
Health Care Equipment	0.3	0.3	-1.5	3.5	3.4	-0.5	12.1
Health Care Supplies	-0.4	-0.4	-9.4	20.9	-2.9	16.9	20.9
Health Care Providers & Services	-1.2	-1.2	-1.1	7.7	-2.3	34.2	22.6
Health Care Distributors	-2.1	-2.1	-4.9	6.0	-1.8	28.8	-2.9
Health Care Services	-0.2	-0.2	6.9	35.3	4.9	32.2	17.4
Health Care Facilities	1.3	1.3	-19.1	-9.7	1.2	10.4	-10.9
Managed Health Care	-1.4	-1.4	-1.4	1.5	-6.6	42.7	52.7
Pharmaceuticals & Biotechnology	-0.7	-0.7	-3.7	0.1	9.9	-2.0	-7.1
Biotechnology	2.1	2.1	0.0	-0.9	-2.7	18.3	7.6
Biotechnology	2.1	2.1	0.0	-0.9	-2.7	18.3	7.6
Pharmaceuticals	-1.3	-1.3	-4.7	-0.2	12.6	-5.9	-9.5
Pharmaceuticals	-1.3	-1.3	-4.7	-0.2	12.6	-5.9	-9.5
Financials	**-2.6**	**-2.6**	**-9.2**	**-11.0**	**16.2**	**3.7**	**8.2**
Banks	-3.1	-3.1	-8.1	-12.7	12.3	-4.8	10.9
Commercial Banks	-2.6	-2.6	-6.3	-11.2	11.5	-2.2	11.1
Diversified Banks	-2.9	-2.9	-3.3	-9.0	12.0	-1.2	13.5
Regional Banks	-2.4	-2.4	-10.0	-13.9	10.9	-4.2	6.4
Thrifts & Mortgage Finance	-4.5	-4.5	-13.2	-17.0	13.4	-13.0	10.4
Thrifts & Mortgage Finance	-4.5	-4.5	-13.2	-17.0	13.4	-13.0	10.4
Diversified Financials	-2.4	-2.4	-10.4	-12.2	20.7	7.2	5.9
Diversified Financial Services	-2.9	-2.9	-7.6	-13.0	15.9	2.9	0.2
Other Diversified Financial Services	-2.9	-2.9	-7.1	-12.7	16.3	1.5	-1.0
Specialized Finance	-2.7	-2.7	-14.2	-15.9	4.5	29.0	42.6
Consumer Finance	-2.9	-2.9	-12.7	-9.3	4.9	2.3	22.2
Consumer Finance	-2.9	-2.9	-12.7	-9.3	4.9	2.3	22.2
Capital Markets	-1.4	-1.4	-13.7	-11.6	32.4	15.4	6.9
Asset Management & Custody Banks	-2.8	-2.8	-9.2	-0.7	16.7	11.7	6.2
Investment Banking & Brokerage	-0.6	-0.6	-16.0	-16.5	39.6	17.0	3.2
Insurance	-2.4	-2.4	-9.0	-6.3	9.3	12.5	5.9
Insurance	-2.4	-2.4	-9.0	-6.3	9.3	12.5	5.9
Insurance Brokers	-1.6	-1.6	-8.7	-1.0	-2.7	12.9	-24.2
Life & Health Insurance	-1.7	-1.7	-6.1	3.3	15.0	20.9	20.4
Multi-line Insurance	-3.2	-3.2	-10.1	-9.4	6.4	7.8	2.7
Property & Casualty Insurance	-2.3	-2.3	-10.4	-11.0	10.7	13.0	8.4
Real Estate	-2.7	-2.7	-4.7	-12.5	36.8	7.4	21.9
Real Estate						7.4	21.9
Real Estate Investment Trusts	-2.3	-2.3	-3.6	-12.1	36.9	7.4	21.9
Information Technology	**-1.1**	**-1.1**	**1.2**	**10.2**	**7.7**	**0.4**	**2.1**
Software & Services	-0.4	-0.4	-3.1	2.4	7.7	-2.1	10.5

S&P Sectors and Industies	PERFORMANCE LAST WK	MTD	QTD	YTD	2006	2005	2004
Internet Software & Services	1.7	1.7	-2.2	9.3	-20.7	4.0	66.8
Internet Software & Services	1.7	1.7	-2.2	9.3	-20.7	4.0	66.8
IT Services	-1.5	-1.5	-7.7	0.1	9.5	3.4	3.3
IT Consulting & Other Services	-3.8	-3.8	-9.6	-8.6	19.1	-42.7	-31.4
Data Processing & Outsourced Services	-1.3	-1.3	-7.5	1.1	9.4	4.7	4.7
Software	-1.0	-1.0	-1.9	0.3	14.5	-4.2	9.0
Application Software	-1.3	-1.3	-1.7	4.4	5.3	10.6	11.6
Systems Software	-0.9	-0.9	-2.4	-0.3	16.9	-5.3	7.9
Home Entertainment Software	-3.0	-3.0	8.5	2.0	-3.7	-15.2	29.1
Technology Hardware & Equipment	-1.7	-1.7	4.3	15.4	14.9	-1.7	8.7
Communications Equipment	-0.6	-0.6	4.5	11.2	15.1	1.8	2.8
Communications Equipment	-0.6	-0.6	4.5	11.2	15.1	1.8	2.8
Computers & Peripherals	-2.4	-2.4	5.8	20.6	16.0	-3.9	14.8
Computer Hardware	-2.3	-2.3	6.6	22.5	17.8	-1.7	13.9
Computer Storage & Peripherals	-3.5	-3.5	0.4	8.2	6.7	-17.1	20.9
Electronic Equipment & Instruments	-1.5	-1.5	-8.3	-3.9	-0.6	1.2	-8.5
Electronic Equipment Manufacturers	-0.5	-0.5	-5.7	5.3	10.8	15.8	-2.4
Electronic Manufacturing Services	-2.1	-2.1	-9.8	-12.7	-13.9	-11.9	-17.0
Office Electronics	-0.6	-0.6	-7.9	0.4	15.7	-13.9	23.3
Office Electronics	-0.6	-0.6	-7.9	0.4	15.7	-13.9	23.3
Semiconductors	-0.3	-0.3	2.6	15.9	-9.9	11.2	-21.3
Semiconductors & Semiconductor Equipment	-0.8	-0.8	2.1	14.4	-8.1	10.0	-21.8
Semiconductors & Semiconductor Equipment	-0.8	-0.8	2.1	14.4	-8.1	10.0	-21.8
Semiconductor Equipment	-3.4	-3.4	-0.1	6.4	5.3	2.0	-25.0
Telecommunication Services	**-2.5**	**-2.5**	**-5.4**	**7.5**	**32.1**	**-9.0**	**16.0**
Telecommunication Services	-2.5	-2.5	-5.4	7.5	32.1	-9.0	16.0
Diversified Telecommunication Services	-2.3	-2.3	-4.6	9.0	43.9	-8.9	9.3
Integrated Telecommunication Services	-2.3	-2.3	-4.6	9.0	43.9	-8.9	9.3
Wireless Telecommunication Services	-3.3	-3.3	-9.1	0.2	-3.4	1.6	57.3
Wireless Telecommunication Services	-3.3	-3.3	-9.1	0.2	-3.4	1.6	57.3
Utilities	**0.2**	**0.2**	**-1.8**	**5.3**	**16.9**	**12.8**	**19.6**
Utilities	0.2	0.2	-1.8	5.3	16.9	12.8	19.6
Electric Utilities	0.9	0.9	0.1	7.7	19.0	13.5	21.8
Electric Utilities	0.9	0.9	0.1	7.7	19.0	13.5	21.8
Gas Utilities	-1.2	-1.2	-6.2	13.4	21.1	-6.6	9.9
Gas Utilities	-1.2	-1.2	-6.2	13.4	21.1	-6.6	9.9
Multi-Utilities	-0.9	-0.9	-3.1	-1.3	12.3	13.1	15.1
Multi-Utilities	-0.9	-0.9	-3.1	-1.3	12.3	13.1	15.1
Independent Power Producers & Energy Traders	0.5	0.5	-5.3	12.0	24.4	-	-
Independent Power Producers & Energy Traders	0.5	0.5	-5.3	12.0	24.4	-	-

Broad Based Indexes	PERFORMANCE LAST WK	MTD	QTD	YTD	2006	2005	2004
S&P 500 Index (Operating Basis)	-1.4	-1.4	-3.3	2.5	13.6	3.0	9.0
Dow Jones 30 Industrials	-1.8	-1.8	-2.2	5.2	16.3	-0.6	3.1
Dow Jones 65 Composite	-1.8	-1.8	-3.8	5.0	13.3	7.1	13.2
Dow Jones Wilshire 5000 (Full cap)	-1.3	-1.3	-3.6	2.8	13.9	4.6	10.8
Russell 1000	-1.3	-1.3	-3.3	2.7	13.3	4.4	9.5
Russell 3000	-1.4	-1.4	-3.6	2.3	13.7	4.3	10.1
NASDAQ Composite Index	-1.2	-1.2	-1.4	6.2	9.5	1.4	8.6
S&P Mid Cap	-1.1	-1.1	-4.7	6.1	9.0	11.3	15.2
Russell Mid Cap	-1.3	-1.3	-5.0	3.8	13.5	11.0	18.4
Russell 2000	-2.2	-2.2	-6.9	-1.5	17.0	3.3	17.0
S&P Small Cap	-2.0	-2.0	-5.3	2.3	14.1	6.7	21.6
Russell Micro Cap (TR)	0.3	0.3	-5.9	-1.9	16.5	-	-

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Institutional Equity Trading Instructions

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

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

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

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

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