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## Market Week: July 26, 2010

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### The Markets

Domestic equities put in a strong week, led by the small caps. Despite all the flip-flops in the indexes this summer, the Dow and NASDAQ are now roughly flat for the year. The S&P 500 is slightly negative for 2010, though it managed to edge above the 1100 mark last week, and the Russell 2000 is slightly ahead for the year.

Market/Index	2009 Close	Prior Week	As of 7/23	Week Change	YTD Change
DJIA	10428.05	10097.90	10424.62	3.24%	-0.03%
NASDAQ	2269.15	2179.05	2269.47	4.15%	0.01%
S&P 500	1115.10	1064.88	1102.66	3.55%	-1.12%
Russell 2000	625.39	610.39	650.65	6.60%	4.04%
Global Dow	1984.48	1788.16	1837.81	2.78%	-7.39%
Fed. Funds	.25%	.25%	.25%	0 bps	0 bps
10-year Treasuries	3.85%	2.96%	3.02%	6 bps	-83 bps

### Last Week's Headlines

- Federal Reserve Chairman Ben Bernanke sent the stock market into a tailspin by saying that though the Fed expects moderate growth in 2010, the economic outlook remains "unusually uncertain." Though it's reluctant to take new steps to support the economy, he said, the Fed has several options for taking further action if necessary.
- Sales of existing homes fell by 5.1% in June, according to the National Association of Realtors®, though they were 9.8% higher than a year ago. The inventory of unsold homes represented almost a nine-months supply. The Census Bureau said residential housing starts also were down 5% in June, and 5.8% lower than June a year ago. Though building permits were up 2.1%, single-family permits were down even more.
- All but seven of 91 European banks that underwent stress tests to determine their vulnerability passed the tests, indicating that they had access to enough capital to weather harsher economic conditions. The Committee of European Bank Supervisors said five of the seven that failed were in Spain.
- A government review of executive pay at 17 banks that accepted government assistance during the financial crisis called the \$1.6 billion worth of compensation under scrutiny "ill-advised." However, pay czar Kenneth Feinberg did not insist that such bonuses and retention awards be returned.
- The Conference Board's Index of Leading Economic Indicators dropped 0.2% in June. Though officials said the index is pointing toward slower growth in the fall, it's still 4.5% higher than at its previous peak before the recession began.
- Treasury Secretary Timothy Geithner said tax cuts for top earners will be allowed to expire on schedule at the end of 2010 as part of the Obama administration's effort to bring down the budget deficit.

## Eye on the Week Ahead

The tension between economic data on one side and earnings reports on the other will continue. This will be European equities' first chance to react to the results of bank stress tests released last Friday, and the end of the week sees the first estimate of second-quarter Gross Domestic Product.

Key data releases: New home sales (7/26); home prices, consumer confidence (7/27); durable goods orders (7/28); preliminary Q2 GDP, consumer sentiment (7/30).

*Data source: Includes data provided by Brounes & Associates. All information is based on sources deemed reliable, but no warranty or guarantee is made as to its accuracy or completeness. Neither the information nor any opinion expressed herein constitutes a solicitation for the purchase or sale of any securities, and should not be relied on as financial advice. Past performance is no guarantee of future results.*

*The Dow Jones Industrial Average (DJIA) is a price-weighted index composed of 30 widely traded blue-chip U.S. common stocks. The S&P 500 is a market-cap weighted index composed of the common stocks of 500 leading companies in leading industries of the U.S. economy. The NASDAQ Composite Index is a market-value weighted index of all common stocks listed on the NASDAQ stock exchange. The Russell 2000 is a market-cap weighted index composed of 2000 U.S. small-cap common stocks. The Global Dow is an equally weighted index of 150 widely traded blue-chip common stocks worldwide. Market indexes listed are unmanaged and are not available for direct investment.*



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The logo for BSV, consisting of the letters "BSV" in a bold, white, sans-serif font, centered within a dark green rectangular background.

The text "Financial Services" in a white, sans-serif font, centered within a dark grey rectangular background.