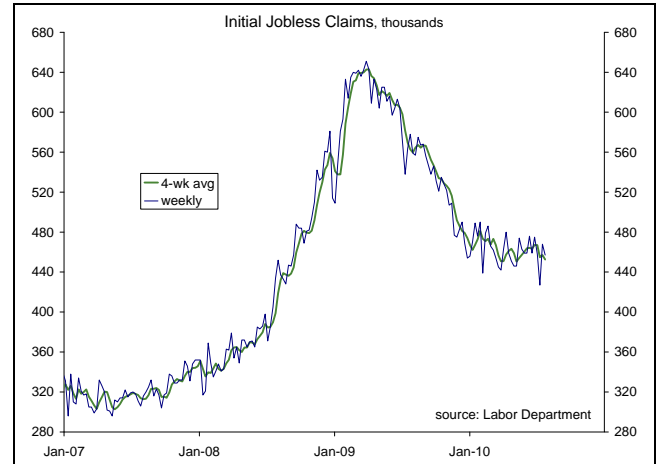
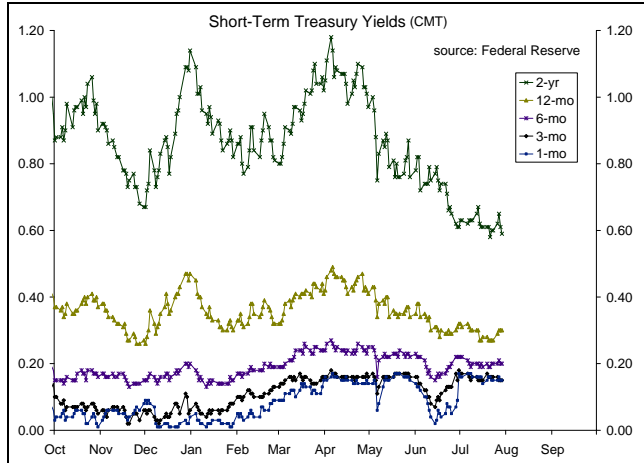


## Daily Market Commentary

Treasury Issues (ch. from prior close, yield)								Dollar				Equities			
13-wk	26-wk	52-wk	2-yr	3-yr	5-yr	10-yr	30-yr	\$ / €	\$ / £	¥ / \$	CD / \$	DJIA	SP500	Nasdaq	R2K
.00	.00	-.01	+2/32	+5/32	+12/32	+1/32	-6/32	+0.007	+0.001	-.54	-.002	-30.72	-4.60	-12.87	-0.33
.15	.20	.28	0.58	0.88	1.66	2.98	4.08	1.307	1.560	86.92	1.036	10467.16	1101.53	2251.69	650.43

**Thursday:** The weekly jobless claims figure was close to expectations. Equities oscillated. Bonds finished little changed ahead of key GDP data for the second quarter.



St. Louis Fed President James Bullard, who votes on the FOMC this year, wrote that the FOMC's "extended period" language "may be increasing the probability of a Japanese-style outcome for the U.S.," adding that "on balance, the U.S. quantitative easing program offers the best tool to avoid such an outcome." In his monetary policy testimony, Chairman Bernanke indicated that the Fed was prepared to act if needed, but not likely soon. Bullard's comments add some support to the view that the Fed could take extraordinary measures sooner rather than later.

Economic Releases	Period	Actual	Previous
Jobless Claims, th.	7/24	457	468
Receiving Benefits, mln	7/17	4.565	4.484
FHLMC 30-yr mort rate	7/29	4.54%	4.56%

Initial claims for state unemployment insurance benefits are normally volatile in July, due to difficulties with the seasonal adjustment. However, the figure for last week was relatively close to expectations. While recent claims data have been choppy, the underlying trend has remained moderately high, consistent with lackluster to moderate job growth.

	Today's Releases:	Period	Forecast	Consensus	Previous	Comments
8:30	Real GDP (advance)	2Q10	+2.0%	+2.5%	+2.7%	annual benchmark revisions due
	Domestic Final Sales		+2.6%	NA	+1.6%	underlying demand likely stronger
8:30	Employment Cost Index	2Q10	+0.5%	+0.5%	+0.6%	moderate labor cost pressures
	year-over-year		+1.8%	NA	+1.7%	relatively mild y/y
9:45	Chicago PM Index	Jul	NF	56.5	59.1	expecting some moderation
9:55	Consumer Sentiment	Jul	67.5	67.0	76.0	66.5 at mid-month

**Today:** There's more than the usual uncertainty in the advance GDP report this time and the markets are likely to react quickly to the headline figure. However, these figures will be revised. The story behind the number is what's important.

The advance GDP report has a wide margin of error. The government will make assumptions about June foreign trade, inventories, and a few other components and price adjustments are often tricky. Annual benchmark revisions will add another layer of uncertainty, but the narrative of the last several quarters is unlikely to change much. The recovery has been transitioning to a more sustainable trajectory, albeit one with a pace of growth that is somewhat disappointing. A wider trade deficit is likely to reduce the headline figure. Inventories may not rise as fast as in the first quarter (remember, the change in inventories contributes to the level of GDP, the change in the change in inventories contributes to GDP growth). Consumer spending and business fixed investment, the key components in the report, should both rise moderately.

Next week will bring fresh July figures (ISM surveys, auto sales, employment). About 144,000 more census jobs were shed from mid-June to mid-July, which should easily keep the monthly change in nonfarm payrolls in negative territory.