

Morningstar Weekly Market Report

U.S. Market Overview: July 16–July 23, 2004

Market Commentary

Investors greeted a string of earnings announcements with trepidation as volatility returned to the markets last week. Companies—big and small—announced second quarter results that fell short of market expectations. The Morningstar US Market Index was down 1.6% for the week. All nine Morningstar style indexes ended the week in the red, and the Morningstar Small Growth Index led the pack with a loss of 3.99%. In general, growth stocks were hit much harder than the value stocks as several bellwether technology stocks failed to meet the consensus earnings estimates.

Microsoft shook the markets on Tuesday, when the company revealed its plans for redeploying its vast cash reserves. Through a combination of a special one-time dividend of \$32 billion, a hike in its ongoing dividend, and a \$30 billion stock buyback plan, it plans to disburse its cash. Nonetheless, later in the week, investors punished the stock for missing consensus earnings estimates by a penny and lowering future earnings forecasts. The stock managed to end the week with a 2% gain.

Poor results from other big companies weighed on the Morningstar Large Cap Growth Index, which lost 1.59% last week. Coca Cola fell 10.70% even as the company beat quarterly profit expectations, but worries about a slower than expected increase in worldwide unit volume overshadowed short-term profit gains. Amazon too disappointed the street, missing both revenue and earnings expectations.

Morningstar Market Barometer (% Return)



Trailing Returns %

	1-Week	3-Month	YTD	1-Yr	3-Yr	5-Yr
Morningstar Indexes						
US Market	-1.60	-4.64	-1.38	12.47	-0.74	-2.23
Large Cap	-1.32	-4.33	-1.88	10.27	-2.79	-4.71
Mid Cap	-2.14	-4.90	0.18	17.82	4.39	4.06
Small Cap	-2.92	-6.92	-0.80	19.53	6.47	7.56
US Value	-0.95	-1.36	1.77	19.11	3.72	2.61
US Core	-1.98	-3.45	0.40	13.78	0.32	0.35
US Growth	-1.90	-9.20	-6.42	4.86	-7.32	-10.49
Large Value	-0.49	-1.87	0.67	16.43	1.45	0.37
Large Core	-1.88	-2.84	0.30	11.67	-2.32	-2.15
Large Growth	-1.59	-8.44	-6.76	3.09	-8.56	-13.19
Mid Value	-2.02	0.46	5.28	26.03	9.05	8.11
Mid Core	-2.15	-4.98	0.31	18.61	8.04	6.42
Mid Growth	-2.25	-10.20	-5.10	8.87	-4.76	-3.23
Small Value	-2.31	-1.70	2.69	25.98	13.80	11.95
Small Core	-2.58	-5.23	1.58	22.24	9.11	13.59
Small Growth	-3.99	-13.91	-6.87	10.58	-3.23	-1.72

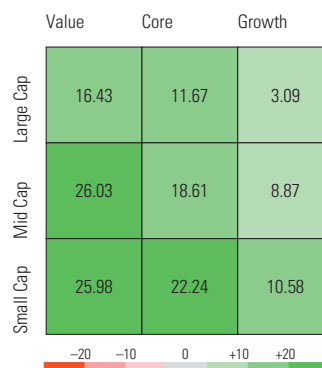
Biggest Influence on Index Performance

	Weekly Return %	Index Contribution %
Best Performing Index		
Large Value	-0.49	
Exxon Mobil Corp.	-1.11	-0.12
Fannie Mae	-4.43	-0.10
Altria Group Inc.	-2.80	-0.10
Freddie Mac	-5.67	-0.09
ChevronTexaco Corp.	-1.78	-0.06
Worst Performing Index		
Small Growth	-3.99	
Rogers Corp.	-28.77	-0.12
TASER International Inc.	-26.64	-0.12
Gen-Probe Inc.	-12.69	-0.10
Medicines Co.	-18.53	-0.10
DoubleClick Inc.	-28.53	-0.10

Year-to-Date



1-Year



3-Year

