

For The Week Ended December 24, 2009
Weekly Market Commentary & Developments

US Economy and Credit Markets:

Yields and Weekly Changes:

3 Mo. T-Bill	0.04 (+01 bps)	GNMA (30 Yr) 6% Coupon: 105-29/32 (2.68%)
6 Mo. T-Bill	0.15 (+01 bps)	Duration: 3.02 years
1 Yr. T-Bill	0.40 (+06 bps)	30-Year Insured Revs: 148.9% of 30 Yr. T-Bond
2 Yr. T-Note	0.96 (+17 bps)	Bond Buyer 40 Yield: 5.40% (unch.)
3 Yr. T-Note	1.54 (+23 bps)	Crude Oil Futures: 78.05 (+4.69)
5 Yr. T-Note	2.53 (+26 bps)	Gold Futures: 1104.10 (-6.70)
10 Yr. T-Note	3.80 (+26 bps)	Merrill Lynch High Yield Indices:
30 Yr. T-Bond	4.68 (+22 bps)	BB, 7-10 Yr. 7.69% (+02 bps)
		B, 7-10 Yr. 8.89% (-04 bps)

Treasury prices were lower this week on generally positive economic news and concerns about the magnitude of next week's Treasury auctions. Treasury prices were lower Monday and Tuesday and the spread between 2 year and 10 year notes increased to record levels both days ending at roughly 285 basis points on Tuesday. Existing home sales increased 7.4% in November to an annual rate of 6.54 million, beating the expectation of 6.25 million. Treasury prices were relatively flat on Wednesday as the Fed announced a record tying \$118 billion sale in 2, 5, and 7 year notes during the last week of the year. November personal income and personal spending reports were lower than expectations at 0.40% and 0.50% vs. the survey estimates of 0.50% and 0.70% respectively and new home sales were short of expectations at 355,000 vs. the estimate of 438,000. Concerns about the magnitude of next week's auctions weighed on Treasury prices again on Thursday sending prices lower. New orders for durable goods increased 0.20% in November, less than the expectation of 0.50%. Excluding transportation, orders increased 2.0%, better than the survey of 1.10%. Major economic reports (and related consensus forecasts) for next week include: Monday: December Dallas Fed Manufacturing Activity (2.0%), October S&P/CaseShiller Home Price Index (147.0); Wednesday: December Chicago Purchasing Manager Index (55.2).

US Stocks:

Weekly Index Performance

DJIA	10520.10 (+191.21,+1.9%)
S&P 500	1126.48 (+24.01,+2.2%)
S&P MidCap	739.71 (+24.82,+3.5%)
S&P Small Cap	337.41 (+12.84,+4.0%)
NASDAQ Comp	2285.69 (+74.00,+3.3%)
Russell 2000	634.07 (+23.50,+3.8%)

Market Indicators

Strong Sectors: Materials, Technology, Energy
Weak Sectors: Utilities, Industrials, Health Care
NYSE Advance/Decline: 2,575 / 616
NYSE New Highs/New Lows: 629 / 11
AAII Bulls/Bears: 37.7% / 37.7%

US stocks posted solid gains on the holiday shortened week amid light trading volume and generally positive news flow. The gains pushed most major market averages to new 2009 highs. The Senate passed health care reform and the bill must now be reconciled with the House version. November new home sales surged ahead of the expiration of the home buyer tax credit while existing home sales disappointed. Despite the mixed housing news homebuilder shares were strong on the week. 3Q GDP and University of Michigan Consumer Confidence were both revised lower from initial readings though both point toward improving conditions. Jobless claims continued to trend lower. Retail shares were mixed on concerns severe weather the week before Christmas would dampen store sales during that crucial period. **Tibco** shares rose on an earnings beat led by growth in license revenue and margins. Contract manufacturer **Jabil Circuit** rose after reporting strong quarterly results and raising forward guidance. **Navistar** reported strong earnings and made positive comments on 2010 truck sales. **Ford** agreed to terms on the sale of its **Volvo** unit to **Geely**. **Sanofi-Aventis** agreed to pay \$1.9 billion for **Chattem** to enter the US consumer health care market. **Bucyrus** will buy **Terex's** mining business for \$1.3 billion. Looking ahead, the coming week will be cut short by the New Year's holiday and trading is likely to be thin. Conditions remain favorable for equities as data continues to point toward an improving economy and valuations are reasonable.