

For The Week Ended December 4th, 2009
Weekly Market Commentary & Developments

US Economy and Credit Markets:

Yields and Weekly Changes:

3 Mo. T-Bill	0.03 (+02 bps)	GNMA (30 Yr) 6% Coupon: 106-21/32 (1.95%)
6 Mo. T-Bill	0.16 (+03 bps)	Duration: 3.03 years
1 Yr. T-Bill	0.32 (+09 bps)	30-Year Insured Revs: 159.0% of 30 Yr. T-Bond
2 Yr. T-Note	0.83 (+15 bps)	Bond Buyer 40 Yield: 5.39% (-04 bps)
3 Yr. T-Note	1.31 (+18 bps)	Crude Oil Futures: 75.75 (-0.30)
5 Yr. T-Note	2.24 (+20 bps)	Gold Futures: 1162.60 (-11.60)
10 Yr. T-Note	3.47 (+26 bps)	Merrill Lynch High Yield Indices:
30 Yr. T-Bond	4.40 (+20 bps)	BB, 7-10 Yr. 7.95% (-02 bps)
		B, 7-10 Yr. 9.15% (-23 bps)

Treasury yields were higher across the board this week as positive economic data later in the week drove prices lower. Treasury prices closed higher Monday on buying activity related to month end portfolio rebalancing. As early as Tuesday and Wednesday, selling pressures in preparation for a potential surprise from Friday's payrolls report weighed on prices. Selling picked up on Thursday as initial jobless figures fell in the last week boosting hope for positive non-farm payrolls data on Friday and investors began preparing for next week's auctions of \$74 billion in Treasury securities. The non-farm payrolls figure did surprise to the upside Friday as the U.S. economy lost fewer jobs than forecast (-11,000 actual vs. -125,000 forecast) and the Unemployment Rate dropped from 10.2% to 10.0%. Treasury yields surged on Friday as a result. Major economic reports (and related consensus forecasts) for next week include: Monday: October Consumer Credit (-\$9.3 billion); Wednesday: October Wholesale Inventories (-0.50%); Thursday: October Trade Balance (-\$37.0 billion); Friday: November Import Price Index (1.2%, 2.9% YoY), November Advance Retail Sales (0.70%, 0.4% less autos), December Preliminary U of M Consumer Confidence (69.0), October Business Inventories (-0.20%).

US Stocks:

Weekly Index Performance

DJIA	10388.90 (+78.98,+0.8%)
S&P 500	1105.98 (+14.49,+1.3%)
S&P MidCap	702.14 (+18.35,+2.7%)
S&P Small Cap	317.55 (+12.17,+4.0%)
NASDAQ Comp	2194.35 (+55.91,+2.6%)
Russell 2000	602.79 (+25.58,+4.4%)

Market Indicators

Strong Sectors:	Utilities, Industrials, Financials, Technology
Weak Sectors:	Energy, Health Care, Materials, Consumer Staples
NYSE Advance/Decline:	2,429 / 751
NYSE New Highs/New Lows:	506 / 22
AAll Bulls/Bears:	41.6% / 33.7%

US stocks advanced for the fourth week in five as investors put Dubai in the rear view mirror and found few reasons until Friday to believe the Fed's policy of near-zero interest rates would end anytime soon. Economic data were sufficiently mixed, with positive news on pending home sales and jobless claims offset by a weaker than expected ISM reading on both manufacturing and services, and disappointing retail same-store sales for November. Friday's November employment report which showed surprisingly few job losses along with a decline in the unemployment rate to 10.0% prompted a "sell the news" reaction following a burst of buying at the opening of trading. Though stocks ended Friday in positive territory, the muted reaction to the data invited speculation hedge funds were unwinding at least temporarily their weak dollar trades. On Friday, the dollar firmed while gold prices tumbled 4%. Crude oil prices fell 2.3% for the week on dollar strength and swelling supplies. Among sectors, Utilities stood out to the upside as investors turned to the group for yield. Financials got a lift from news **Bank of America** reached a deal to repay \$45 billion in TARP capital, partially funded by a successful \$19.3 billion sale of common equivalent securities. Elsewhere, **Comcast** and **General Electric** reached agreement on a joint venture for ownership of NBC Universal in which Comcast will pay \$13.8 billion for a majority stake. While disappointing overall, retail same-store sales came in ahead of expectations at **Nordstrom** and **Limited Brands**. Sales were below expectations at **Costco**, **Target**, **TJX** and **Abercrombie & Fitch**. **Marvell Technology** reported strong quarterly earnings boosted by robust demand for semiconductors. **Staples'** results were an across-the-board beat. Looking ahead, the major data point due out in the coming week is Friday's reading from the government on retail sales. Absent any hard evidence the economy has taken a turn for the worse, momentum could take stocks higher into year-end.