

US Economy and Credit Markets			
Yields and Weekly Changes:			
3 Mo. T-Bill:	0.11 (-01 bps)	GNMA (30 Yr) 6% Coupon:	110-11/32 (1.03%)
6 Mo. T-Bill:	0.15 (-02 bps)	Duration:	3.12 years
1 Yr. T-Bill:	0.20 (unch.)	30-Year Insured Revs:	160.4% of 30 Yr. T-Bond
2 Yr. T-Note:	0.36 (+01 bps)	Bond Buyer 40 Yield:	4.97% (+09 bps)
3 Yr. T-Note:	0.50 (-03 bps)	Crude Oil Futures:	87.12 (+5.12)
5 Yr. T-Note:	1.09 (-05 bps)	Gold Futures:	1393.60 (+65.50)
10 Yr. T-Note:	2.53 (-02 bps)	Merrill Lynch High Yield Indices:	
30 Yr. T-Bond:	4.09 (+19 bps)	BB, 7-10 Yr.:	6.23% (-09 bps)
		B, 7-10 Yr.:	7.69% (-20 bps)

Treasury prices were mixed for the week as the Fed announced on Tuesday that it will renew its quantitative easing, buying bonds in an attempt to stimulate the economy. Most of the yield curve saw only small changes, but the 30-year bond saw larger declines in price than did other maturities. In addition to the Fed announcement, the big news of the week was Friday's release of the employment report for October. It showed an increase in nonfarm payrolls of 151,000, far exceeding the median forecast of 60,000 in gains. Additionally, figures for September and October were revised upward by a total of 110,000, meaning a net increase of 261,000. There was more positive news from the economy, as well. The ISM Manufacturing Index increased to 56.9 from 54.4, while forecasts had called for a small decline in the index. The Non-Manufacturing Index also increased in excess of the consensus forecast, as did the preliminary report of Q3 productivity. Major economic reports (and related consensus forecasts) for next week include: Tuesday: September Wholesale Inventories (+ 0.6%); Wednesday: September Trade Balance (-\$45.0 billion), October Import Price Index (+1.2%), and Initial Jobless Claims (450,000); and Friday: November Preliminary U. of Michigan Consumer Confidence (69.0).

US Stocks			
Weekly Index Performance:		Market Indicators:	
DJIA:	11444.08(+325.59,+2.9%)	Strong Sectors:	Financials, Energy, Materials
S&P 500:	1225.85 (+42.59,+3.6%)	Weak Sectors:	Health Care, Utilities, Consumer Staples
S&P MidCap:	861.09 (+31.96,+3.9%)	NYSE Advance/Decline:	2,546 / 589
S&P Small Cap:	391.16 (+17.61,+4.7%)	NYSE New Highs/New Lows:	770 / 33
NASDAQ Comp:	2578.98 (+71.57,+2.9%)	AAll Bulls/Bears:	48.2% / 29.8%
Russell 2000:	736.59 (+33.24,+4.7%)		

US stocks rallied behind important developments on the political and macroeconomic policy fronts, not to mention a string of positive economic data. As expected, the Republican party took control of the House in midterm elections and gained seats in the Senate. The Federal Reserve announced plans to buy \$600 billion of Treasuries thru June 2011 at a pace of \$75 billion per month. The highlight in terms of economic data was Friday's strong jobs report for October which showed a gain of 151,000 jobs along with upward revisions to prior months' totals. ISM indexes for manufacturing and services both surprised to the upside. Some observers pointed to the strong data as evidence QE2 wasn't necessary but for now investors are unwilling to "fight the Fed". Financials led all sectors, helped by a report the Fed would soon allow banks to hike dividend payments. Energy and Materials shares were supported by higher commodity prices. Crude oil and copper rose to 2010 highs while gold closed in on \$1,400/oz. Defensive sectors trailed the pack. **Qualcomm** announced impressive results and guidance driven by sales of smartphone chips. **Starbucks** beat expectations on better same store sales results. **Kraft's** results fell short on the top line owing to the effects of price increases. **Archer-Daniels Midland** and **Emerson Electric** were among companies missing estimates. **General Motors** embarked on a road show in preparation for an IPO later this month that is expected to raise \$10.6 billion. **M&T Bank** agreed to buy **Wilmington Trust** for \$364 million, a 46% discount to market value. Canada blocked **BHP Billiton's** \$39 billion bid for **Potash Corp of Saskatchewan**. Looking ahead, the coming week sees earnings season start to wind down though several key retailers are set to report results. Investors are hoping for a quick resolution on the fate of the Bush-era tax cuts, with a negotiated extension possibly the next catalyst for a move higher for stocks.