

US Economy and Credit Markets			
Yields and Weekly Changes:			
3 Mo. T-Bill:	0.11 (-02 bps)	GNMA (30 Yr) 6% Coupon:	109-24/32 (1.56%)
6 Mo. T-Bill:	0.17 (-01 bps)	Duration:	3.21 years
1 Yr. T-Bill:	0.26 (+01 bps)	30-Year Insured Revs:	155.6% of 30 Yr. T-Bond
2 Yr. T-Note:	0.63 (+17 bps)	Bond Buyer 40 Yield:	5.51% (+19 bps)
3 Yr. T-Note:	1.04 (+28 bps)	Crude Oil Futures:	87.76 (-1.68)
5 Yr. T-Note:	1.98 (+37 bps)	Gold Futures:	1387.20 (+25.00)
10 Yr. T-Note:	3.31 (+30 bps)	Merrill Lynch High Yield Indices:	
30 Yr. T-Bond:	4.42 (+10 bps)	BB, 7-10 Yr.:	6.72% (+03 bps)
		B, 7-10 Yr.:	7.98% (-04 bps)

Treasury bonds, especially longer maturities, were down significantly in price for the week. The decline was fueled by speculation that the agreement between President Obama and Republicans to extend Bush-era tax cuts would stimulate the economy and help drive down unemployment. Prices opened the week higher on continued concern over European debt. Prices fell Tuesday as the news of the agreement regarding taxes had been reached. Yields Wednesday reached their highest level since June on fears of the growing U.S. budget deficit. Prices rebounded Thursday as the auction of 30-year notes saw strong demand. Strong October trade data pushed yields higher again on Friday, ending with the largest weekly gain since August 2009. Major economic reports (and related consensus forecasts) for next week include: Tuesday: November Advance Retail Sales (+0.6%, Less Autos +0.6%), November Producer Price Index (+0.6%, less Food & Energy +0.2%), October Business Inventories (+1.0%), and FOMC Rate Decision announced (0.25%); Wednesday: November Consumer Price Index (+0.2%, less Food & Energy +0.1%), November Industrial Production (+0.3%) and Capacity Utilization (75.0%); Thursday: November Housing Starts (550,000, +6.0%), 3Q Current Account Balance (-\$126.0 billion), Initial Jobless Claims (425,000), and December Philadelphia Fed Report (14.5); and Friday: November Leading Indicators (+1.1%).

US Stocks			
Weekly Index Performance:		Market Indicators:	
DJIA:	11410.32 (+28.23,+0.2%)	Strong Sectors:	Financials, Telecomm, Technology
S&P 500:	1240.40 (+15.69,+1.3%)	Weak Sectors:	Utilities, Discretionary, Energy
S&P MidCap:	899.04 (+12.30,+1.4%)	NYSE Advance/Decline:	1,631 / 1,539
S&P Small Cap:	411.83 (+10.09,+2.5%)	NYSE New Highs/New Lows:	568 / 85
NASDAQ Comp:	2637.54 (+46.08,+1.8%)	AAll Bulls/Bears:	53.1% / 22.6%
Russell 2000:	776.83 (+20.41,+2.7%)		

US stocks gained last week as an extension of the Bush-era tax cuts appears imminent. Despite political posturing by some on the left, President Obama reached a deal with Republicans to extend all Bush-era tax cuts for two more years. Gold hit a record high Monday before falling the rest of the week. Banks stocks were among the market leaders as they stand to benefit from the steepening yield curve. The Treasury announced it sold the last of its **Citigroup** stake. The government made an estimated \$12 billion on the deal. **Teva Pharmaceuticals** surged on positive trial data for their MS drug. **General Electric** raised its dividend for the second time in six months. **Smithfield Foods** surged as higher pork prices resulted in quarterly EPS well ahead of estimates. **Home Depot** raised 2010 EPS and revenue forecasts while projecting 2011 results below consensus. Shares gained on the news. **DuPont** guided 2011 revenues higher on strong agriculture and industrial markets though they left their earnings forecasts unchanged. **McDonalds** reported November same store sales that trailed expectations. **AutoZone** reported strong earnings. **Celgene** shares fell following negative data for its cancer drug Revlimid. **Fortune Brands** announced plans to split into three separate companies: liquor, golf and home & security. Shares jumped on the news. **Pfizer** announced its CEO is stepping down. In merger news, **Nicor** agreed to be acquired by **AGL Resources** for \$3.1 billion and **Community Health Systems** launched a hostile bid for **Tenet Healthcare**. Looking ahead, the coming week offers earnings from **Best Buy** and **Oracle** as well as reports on inflation and industrial activity. With the tax overhang resolved and indications that the economy is moving in the right direction, equities could see more gains in coming weeks as valuations remain attractive.