

US Economy and Credit Markets			
Yields and Weekly Changes:			
3 Mo. T-Bill:	0.10 (-01 bps)	GNMA (30 Yr) 6% Coupon:	109-07/32 (2.08%)
6 Mo. T-Bill:	0.17 (unch.)	Duration:	3.29 years
1 Yr. T-Bill:	0.28 (+01 bps)	30-Year Insured Revs:	158.3% of 30 Yr. T-Bond
2 Yr. T-Note:	0.60 (-03 bps)	Bond Buyer 40 Yield:	5.51% (unch.)
3 Yr. T-Note:	1.00 (-04 bps)	Crude Oil Futures:	88.01 (+0.22)
5 Yr. T-Note:	1.96 (-01 bps)	Gold Futures:	1377.20 (-7.10)
10 Yr. T-Note:	3.33 (+01 bps)	Merrill Lynch High Yield Indices:	
30 Yr. T-Bond:	4.44 (+01 bps)	BB, 7-10 Yr.:	6.77% (+05 bps)
		B, 7-10 Yr.:	7.99% (+01 bps)

Treasury prices ended the week relatively unchanged as a late week rally offset continuing lower prices through Wednesday. Early in the week prices were lower pushing 10 and 30-year yields to the highest levels in 7 months resulting in the steepest curve since February on decreased risk aversion from positive economic releases, the Fed's continued commitment to quantitative easing and speculation that Congress would extend the tax cuts which was ultimately signed into law. In economic news this week, the FOMC left the target range for the federal funds rate at 0.0% to 0.25%. November retail sales increased 0.8% and 1.2% excluding autos beating estimates of 0.6%. November PPI increased 0.8% vs. the estimate of 0.6%. Excluding food and energy, PPI grew 0.3% vs. the estimate of 0.2%. November CPI was up 0.1%, just lower than the estimate of 0.2%. Excluding food and energy, CPI growth matched expectations of 0.1%. Industrial production beat expectations by growing 0.4% and November housing starts increased 3.9% to 555,000 which was lower than the estimate of 6.0%. Major economic reports (and related consensus forecasts) for next week include: Wednesday: 3rd Quarter GDP (Annualized 2.8%), 3rd Quarter Personal Consumption (2.8%), November Existing Home Sales (4.75M, 7.2% MoM), Thursday: November Durable Goods Orders (-0.7%, 2.0% Excluding Transportation), November Personal Income (0.2%), November Personal Spending (0.5%), December U of M Consumer Confidence (74.5), November New Home Sales (300K, 6.0% MoM).

US Stocks			
Weekly Index Performance:		Market Indicators:	
DJIA:	11491.91 (+81.59,+0.7%)	Strong Sectors:	Materials, Consumer Staples, Health Care
S&P 500:	1243.91 (+3.51,+0.3%)	Weak Sectors:	Financials, Technology, Consumer Discretionary
S&P MidCap:	902.64 (+3.60,+0.4%)	NYSE Advance/Decline:	1,515 / 1,660
S&P Small Cap:	415.25 (+3.42,+0.8%)	NYSE New Highs/New Lows:	459 / 182
NASDAQ Comp:	2642.97 (+5.43,+0.2%)	AAll Bulls/Bears:	50.2% / 27.2%
Russell 2000:	779.51 (+2.68,+0.4%)		

US stocks advanced modestly on positive economic data, solid corporate earnings news and the passage of a compromise tax bill to extend the Bush-era tax cuts. Continued worries over Europe's sovereign debt crisis kept a lid on gains, yet by week's end stocks were at their highest levels since September 2008. November retail sales, housing starts, and the December Philly Fed readings all came in strong, confirming the positive momentum in the economy. The November CPI showed still-weak inflation at the consumer level despite pressure further up the supply chain. The Federal Reserve reiterated it would follow through with its \$600 billion bond purchase program. **FedEx** missed earnings expectations due to higher wage costs but the company raised full-year guidance on strong holiday shipment volumes. **Best Buy** reported a disappointing quarter on weak TV volumes and a loss of market share. **Oracle's** quarter was a clean beat, highlighted by a 21% gain in new software licenses. **Research In Motion's** above-consensus results were buoyed by a recent new smartphone model. Health Care shares were strong as a legal challenge to this year's Health Care bill was successful. **Visa** and **MasterCard** shares sold off in the wake of a decision by the Fed to cut debit card interchange fees. **General Mills** missed estimates on higher promotions and commodity costs. **Marshall & Ilsley** agreed to be acquired by **Bank of Montreal** for \$4.1 billion. **Novartis** agreed to buy the rest of **Alcon** it doesn't already own for \$12.9 billion. **Thermo Fisher Scientific** agreed to acquire **Dionex** for \$2.1 billion. Looking ahead, stocks may get an early lift this week from the President's signing of the tax cut bill into law and possible upgrades to GDP estimates that may elicit. Volumes may taper off towards the Christmas holiday, with markets closed on Friday. Stocks look well-positioned for gains in 2011, with positive momentum in the economy supportive of earnings growth and with valuations reasonable.