

US Economy and Credit Markets			
Yields and Weekly Changes:			
3 Mo. T-Bill:	0.13 (+01 bps)	GNMA (30 Yr) 6% Coupon:	109-24/32 (1.94%)
6 Mo. T-Bill:	0.17 (-01 bps)	Duration:	3.31 years
1 Yr. T-Bill:	0.26 (unch.)	30-Year Insured Revs:	156.9% of 30 Yr. T-Bond
2 Yr. T-Note:	0.59 (unch.)	Bond Buyer 40 Yield:	5.59% (+08 bps)
3 Yr. T-Note:	0.98 (unch.)	Crude Oil Futures:	88.44 (-3.00)
5 Yr. T-Note:	1.95 (-05 bps)	Gold Futures:	1369.60 (-51.70)
10 Yr. T-Note:	3.32 (+03 bps)	Merrill Lynch High Yield Indices:	
30 Yr. T-Bond:	4.48 (+15 bps)	BB, 7-10 Yr.:	6.62% (-13 bps)
		B, 7-10 Yr.:	7.77% (-16 bps)

Treasuries were mixed for the week, with bills and shorter-term notes very little changed from the week prior; while the price of the five-year note was higher for the week, both the 10-year note and 30-year bond saw lower prices, causing the yield curve to grow steeper. The economic report that the market was anticipating was Friday's Department of Labor Employment Report for December. While nonfarm payrolls grew by 113,000 (plus net additions of 62,000 from October and November), that fell short of consensus expectations of 150,000 new jobs. The unemployment rate fell to 9.4% from 9.8%. Both the ISM Manufacturing and Non-Manufacturing Indexes increased in December. Major economic reports (and related consensus forecasts) for next week include: Tuesday: November Wholesale Inventories (+1.0%); Wednesday: December Import Price Index (+1.2%), Fed's Beige Book released, and December Monthly Budget Statement (-\$83.5 billion); Thursday: Initial Jobless Claims (406,000), December Producer Price Index (+0.8%, Ex Food & Energy +0.2%), November Trade Balance (-\$40.9 billion); and Friday December Consumer Price Index (+0.4%, Ex Food & Energy +0.1%), December Advance Retail Sales (+0.8%, Less Autos +0.7%), December Industrial Production (+0.5%) and Capacity Utilization (75.6%), January Preliminary U of Michigan Consumer Confidence (75.5), and November Business Inventories (+0.7%).

US Stocks			
Weekly Index Performance:		Market Indicators:	
DJIA:	11674.76 (+97.25,+0.8%)	Strong Sectors:	Technology, Health Care, Financials
S&P 500:	1271.50 (+13.86,+1.1%)	Weak Sectors:	Consumer Staples, Telecom Svcs., Materials
S&P MidCap:	910.53 (+3.28,+0.4%)	NYSE Advance/Decline:	1,675 / 1,486
S&P Small Cap:	416.06 (+0.33,+0.1%)	NYSE New Highs/New Lows:	554 / 20
NASDAQ Comp:	2703.17 (+50.30,+1.9%)	AAII Bulls/Bears:	55.9% / 18.3%
Russell 2000:	787.83 (+4.18,+0.5%)		

US stocks advanced for a sixth straight week, building on their strong finish to 2010 and (optimistically) setting the stage for further gains in 2011. Gains were concentrated in sessions Monday and Wednesday following upbeat reports on December manufacturing and private payrolls, respectively. Markets registered only mild disappointment Friday with December's employment report which showed non-farm payrolls grew by 103,000 and the unemployment rate ticked down to 9.4%. Large-caps outperformed small-caps on the week. Technology led among sectors as investors took on a rosy view of the IT spending outlook. Hoopla coming from the CES show in Las Vegas also helped sentiment. Financials got a lift on Monday from **Bank of America's** announced \$2.8 billion settlement with the GSE's regarding claims over soured mortgages. Banks did trade lower on Friday after a state supreme court ruled against **Wells Fargo** and **U.S. Bancorp** in a lawsuit contesting the legality of foreclosures. Retail same-store sales results for December failed to match elevated expectations but were seen as impacted by weather in the Northeast. **Target** shares slumped as its +0.9% sales growth fell well short of expectations. **Mosaic's** above-consensus results and bullish outlook underscored the positive momentum in fertilizer markets. In merger news, **Qualcomm** announced it would buy **Atheros Communications** for \$3.1 billion in cash. **Goldman Sachs** teamed with a Russian investor to take a stake worth \$500 million in Facebook, implying a \$50 billion valuation for the company. **Motorola** completed the spinoff of its wireless handset and cable set-top box businesses into **Motorola Mobility Holdings**, following which the legacy business was renamed **Motorola Solutions**. The coming week brings readings on the economy including producer and consumer prices as well as the official start to fourth quarter earnings reporting season. Investors will want to see companies sounding optimistic about the future, especially as the economy transitions from recovery to expansion early in 2011.

