

US Economy and Credit Markets			
Yields and Weekly Changes:			
3 Mo. T-Bill:	0.13 (-01 bps)	GNMA (30 Yr) 6% Coupon:	110-00/32 (2.08%)
6 Mo. T-Bill:	0.14 (-03 bps)	Duration:	3.34 years
1 Yr. T-Bill:	0.22 (-03 bps)	30-Year Insured Revs:	159.8% of 30 Yr. T-Bond
2 Yr. T-Note:	0.53 (-07 bps)	Bond Buyer 40 Yield:	5.76% (-09 bps)
3 Yr. T-Note:	0.94 (-09 bps)	Crude Oil Futures:	89.45 (+0.34)
5 Yr. T-Note:	1.92 (-08 bps)	Gold Futures:	1335.40 (-5.60)
10 Yr. T-Note:	3.32 (-07 bps)	Merrill Lynch High Yield Indices:	
30 Yr. T-Bond:	4.53 (-03 bps)	BB, 7-10 Yr.:	6.51% (-06 bps)
		B, 7-10 Yr.:	7.61% (-07 bps)

Treasury prices ended the week higher as unrest in Egypt on Friday sparked a flight to safety trade which outweighed 4th quarter GDP data that showed economic growth accelerated over the last three months. In other economic news this week, new home sales increased 17.5% in December at an annual rate of 329,000, well ahead of the consensus estimate of 3.5% and 300,000. The Federal Reserve kept the target range for the Federal Funds Rate at 0 – 0.25%. Durable goods orders for December declined 2.5% vs. the estimate of 1.5% growth. Fourth quarter GDP (Advanced) grew at a 3.2% annual rate vs. the estimate of 3.5%. The U of M Consumer Confidence Index for January was reported at 74.2 vs. the estimate of 73.3. Major economic reports (and related consensus forecasts) for next week include: Monday: December Personal Income (0.4%), December Personal Spending (0.5%); Tuesday: January ISM Manufacturing Index (58.0), January Domestic Vehicle Sales (9.60M Annualized), January Total Vehicle Sales (12.61M Annualized); Thursday: 4th Quarter Unit Labor Costs (0.3%), 4th Quarter Nonfarm Productivity (2.0%), December Factory Orders (-0.5%); Friday: January Change in Nonfarm Payrolls (136,000), January Change in Private Payrolls (150,000), January Change in Manufacturing Payrolls (9,000), January Unemployment Rate (9.5%).

US Stocks			
Weekly Index Performance:		Market Indicators:	
DJIA:	11823.70 (-48.14,-0.4%)	Strong Sectors:	Energy, Materials, Technology
S&P 500:	1276.34 (-7.01,-0.5%)	Weak Sectors:	Health Care, Discretionary, Staples
S&P MidCap:	917.72 (+3.36,+0.4%)	NYSE Advance/Decline:	1,695 / 1,464
S&P Small Cap:	413.37 (+2.94,+0.7%)	NYSE New Highs/New Lows:	454 / 50
NASDAQ Comp:	2686.89 (-2.65,-0.1%)	AAll Bulls/Bears:	42.0% / 34.3%
Russell 2000:	775.40 (+2.22,+0.3%)		

US stocks ended the week mixed amid numerous earnings and economic reports and political unrest in Egypt. In a reversal of last week, small caps outperformed large caps. Economic data showed that January consumer confidence surprised to the upside while December durable goods orders fell unexpectedly. Headline 4Q GDP trailed analysts' predictions though underlying trends were more positive. **Ford** shares slid following weak results attributed to Europe. **Amazon.com** shares sagged as revenue missed forecasts and capital spending plans for Q1 will weigh on future results. **Microsoft** reported solid results but its Windows business was deemed to be disappointing sending shares lower. **Netflix** reported blowout results on strong subscriber gains. **Corning** used strong revenue gains to boost results above forecasts. **Proctor & Gamble** reported mixed results and predicted commodity cost pressures in 1H 2011. **3M** reported a noisy quarter and warned of rising raw materials costs for future quarters. **Intel** added \$10 billion to its share buyback plan. Smartphones drove **QUALCOMM** results past expectations and the company offered an optimistic outlook for 2011. Client withdrawals weighed on **Legg Mason's** quarterly results. **Boeing** reported inline results but lowered 2011 guidance. **Verizon** reported earnings shy of expectations though remains upbeat on 2011 due to the impending iPhone launch. **Sara Lee** announced plans to split into two companies after attempts to sell itself fell through. In merger news, **Rock-Tenn** agreed to pay \$3.5 billion for **Smurfit-Stone**. Looking ahead, earnings will continue to be the focus. Friday's employment report also bears watching. Roughly 40% of the S&P 500 has reported results so far this earnings season and those exceeding estimates are outpacing those falling short by about 5:2. With geopolitical events causing investor jitters there could be less patience for mediocre results in the near-term though the longer term outlook for US equities remains positive.