US Economy and Credit Markets

Yields and Weekly Changes:

3 Mo. T-Bill:	0.01 (unch.)	GNMA (30 Yr) 6% Coupon:	111-16/32 (1.89%)
6 Mo. T-Bill:	0.04 (-01 bps)	Duration:	3.54 years
1 Yr. T-Bill:	0.10 (+01 bps)	30-Year Insured Revs:	199.0% of 30 Yr. T-Bond
2 Yr. T-Note:	0.27 (+01 bps)	Bond Buyer 40 Yield:	4.98% (-01 bps)
3 Yr. T-Note:	0.46 (-04 bps)	Crude Oil Futures:	87.65 (+0.85)
5 Yr. T-Note:	1.06 (-04 bps)	Gold Futures:	1640.00 (-41.80)
10 Yr. T-Note:	2.21 (-03 bps)	Merrill Lynch High Yield Indices:	
30 Yr. T-Bond:	3.27 (+04 bps)	BB, 7-10 Yr.:	6.85% (-30 bps)
		B, 7-10 Yr.:	8.48% (-37 bps)

Treasury prices ended the week little changed after gains early in the week were offset by declines Thursday and Friday on optimism that European leaders are nearing a resolution to the region's sovereign debt crisis. Monday's rally in Treasuries was aided by a weak Empire Manufacturing report for October, coming in at -8.48 vs. expectations of -4.00 while September industrial production and capacity utilization matched expectations. The PPI increased 0.8% in September, easily beating estimates of 0.2% and is up 6.9% year over year. The CPI increased 0.3% in September and is 3.9% higher year over year matching expectations. Housing starts increased 15% in September to 658,000 annualized, significantly higher than the estimate of 590,000 and existing home sales were 4.91 million annualized equaling expectations. Major economic reports (and related consensus forecasts) for next week include: Tuesday: August S&P/Case-Shiller Composite-20 Home Price Index (0.15%, -3.60% YoY), October Richmond Fed Manufacturing Index (-1); Wednesday: September Durable Goods Orders (-0.90%, 0.40% Excluding Transportation), September New Home Sales (300,000, +1.7% MoM); Thursday: 3rd Quarter GDP (2.5%), 3rd Quarter Personal Consumption (1.9%), 3rd Quarter GDP Price Index (2.4%), September Pending Home Sales (0.10% MoM, 11.8% YoY); Friday: September Personal Income (0.3%), September Personal Spending (0.6%), September PCE Deflator (3.0% YoY), September PCE Core (0.1% MoM, 1.7% YoY).

US Stocks

Weekly Index Performance:

DJIA:	11808.79 (+164.30,+1.4%)
S&P 500:	1238.25 (+13.67,+1.1%)
S&P MidCap:	861.26 (+5.42,+0.6%)
S&P Small Cap:	392.99 (+0.52,+0.1%)
NASDAQ Comp:	2637.46 (-30.39,-1.1%)
Russell 2000:	712.42 (-0.04,0.0%)

Market Indicators:

Strong Sectors:	Financials, Energy, Utilities
Weak Sectors:	Info Tech, Materials, Telecom
NYSE Advance/Decline:	2,030/ 1,110
NYSE New Highs/New Lows:	98/ 55
AAII Bulls/Bears:	36.0% / 34.6%

Last week U.S. stocks rose to a two-month high amid optimism that the Federal Reserve might increase monetary easing and that Europe could be closer to resolving their sovereign debt crisis. Comments out of the Federal Reserve this week left the door open for another round of quantitative easing if the U.S. economy continues to be challenged. Economic news was mostly positive for the week as the leading economic indicators and the jobless claims numbers surprised to the upside, while the beige book showed only modest growth. Earnings season kicked into full swing as a number of bellwethers reported earnings. Financials led the market as **Citigroup**, **Morgan Stanley**, **Goldman Sachs** and **Bank of America** reported earnings. **Citigroup** beat expectations on strong international results and a decline in loan losses, while **Goldman Sachs** reported only its 2nd quarterly loss ever since going public on weak underwriting and trading results. **General Electric** earnings jumped 57% from last year led by strong results from the financing unit and a record industrial backlog. **Intel** rose for the week after reporting stronger than expected earnings due to better than expected sales of chips for servers and laptops. **Apple** missed earnings on weaker than expected iPhone orders due to customers delaying purchases until the iPhone 4S hit stores this past week. Apple is still clicking on all cylinders as initial iPhone 4S orders topped 4 million, making it the best iPhone debut of all time. Looking ahead, investor sentiment from the European Union summit and a number of earnings announcments will likely drive markets in the near term. For investors looking past the near term noise, valuations continue to look compelling and continued strong earnings results could push equity prices higher.