

US Economy and Credit Markets			
Yields and Weekly Changes:			
3 Mo. T-Bill:	0.00 (unch.)	GNMA (30 Yr) 6% Coupon:	112-24/32 (1.12%)
6 Mo. T-Bill:	0.03 (unch.)	Duration:	3.52 years
1 Yr. T-Bill:	0.10 (unch.)	30-Year Insured Revs:	209.5% of 30 Yr. T-Bond
2 Yr. T-Note:	0.28 (+06 bps)	Bond Buyer 40 Yield:	4.89% (-01 bps)
3 Yr. T-Note:	0.43 (+09 bps)	Crude Oil Futures:	99.81 (+6.28)
5 Yr. T-Note:	0.97 (+17 bps)	Gold Futures:	1606.00 (+10.40)
10 Yr. T-Note:	2.02 (+17 bps)	Merrill Lynch High Yield Indices:	
30 Yr. T-Bond:	3.05 (+20 bps)	BB, 7-10 Yr.:	6.66% (-08 bps)
		B, 7-10 Yr.:	8.32% (-14 bps)

Treasury yields were higher this week as the equity market rallied with generally positive U.S. economic news and perhaps fewer negative headlines out of Europe. In economic reports this week, housing starts were reported Monday and increased 9.3% in November to an annual rate of 685,000, strongly beating expectations of 635,000 but existing home sales increased less than expected to an annual rate of 4.42 million vs. expectations of 5.05 million. November new home sales increased 1.6% to an annual rate of 315,000, matching expectations. Durable goods orders increased 3.8% in November, beating the survey estimate of 2.2%. Personal income increased 0.1% in November, slightly below expectations of 0.2%. Personal spending also increased 0.1%, but below expectations of 0.3% growth. Third quarter GDP growth was revised down to 1.8% from 2.0%. The consensus estimated 2.0% growth. The bond market closed early on Friday and will remain closed on Monday, December 26<sup>th</sup> in observance of the Christmas Day Holiday. Major economic reports (and related consensus forecasts) for next week include: Tuesday: October S&P/Case-Shiller Composite Home Price Index (-0.34%, -3.22% YoY), December Richmond Fed Manufacturing Index (5), December Dallas Fed Manufacturing Activity (4.5); Thursday: December Chicago Purchasing Manager Index (61.0), November Pending Home Sales (1.5%), Kansas City Fed Manufacturing Activity (6).

Weekly Index Performance:		Market Indicators:	
DJIA:	12294.00 (+427.61,+3.60%)	Strong Sectors:	Oil & Gas, Financials, Basic Materials
S&P 500:	1265.33 (+45.67,+3.74%)	Weak Sectors:	Technology, Consumer Services, Consumer Goods
S&P MidCap:	884.91 (+29.24,+3.42%)	NYSE Advance/Decline:	2,57 / 587
S&P Small Cap:	419.66 (+15.87,+3.93%)	NYSE New Highs/New Lows:	293 / 146
NASDAQ Comp:	2618.64 (+63.31,+2.48%)	AAll Bulls/Bears:	33.7% / 28.2%
Russell 2000:	747.98 (+25.93,+3.59%)		

Investors went into the Christmas weekend with smiles on their faces as mostly positive economic news boosted their confidence in the equity markets. A larger than expected increase in both November existing-home sales and the November index of leading indicators helped every sector finish the week in positive territory. While the S&P 500 is only slightly positive for the year, the market has made great strides recently after nearly entering a bear market in early October. Investors will surely be hoping for a less correlated year next year. The vast majority of stocks either rose or fell sixty-seven times this year, which is equal to the number of times that happened between 1990 and 2004. Shares of **Mead Johnson Nutrition** fell over 10% for week after its powder baby formula was pulled by Wal-Mart when a baby died after supposedly drinking the formula. The software maker **Oracle** missed analysts' earnings estimates for the first time in ten years which caused their shares to tumble almost 11% for the week. Investors rewarded **Akamai Technologies'** acquisition of Internet-to-mobile delivery specialist Cotendo by sending its shares up almost 20%. The engineering and construction firm **Shaw Group's** shares advanced over 19% after the company reported strong earnings and raised its guidance. Shares of uniform maker **Cintas** advanced after the company's earnings per share climbed 50% from a year earlier. Looking ahead to the coming week, investors will be watching for the release of the S&P/Case-Shiller index of housing prices on Tuesday and also to see if the weekly jobless claims continues its downward trend on Thursday. **Cal Maine Foods**, **Piedmont Natural Gas** and **Diamond Foods** are among the companies due to report earnings this week.