

US Economy and Credit Markets			
Yields and Weekly Changes:			
3 Mo. T-Bill:	0.14 (+01 bps)	GNMA (30 Yr) 6% Coupon:	109-15/32 (2.23%)
6 Mo. T-Bill:	0.16 (+02 bps)	Duration:	3.40 years
1 Yr. T-Bill:	0.26 (+04 bps)	30-Year Insured Revs:	153.1% of 30 Yr. T-Bond
2 Yr. T-Note:	0.75 (+22 bps)	Bond Buyer 40 Yield:	5.79% (+03 bps)
3 Yr. T-Note:	1.22 (+28 bps)	Crude Oil Futures:	88.97 (-0.48)
5 Yr. T-Note:	2.32 (+40 bps)	Gold Futures:	1348.80 (+13.40)
10 Yr. T-Note:	3.63 (+31 bps)	Merrill Lynch High Yield Indices:	
30 Yr. T-Bond:	4.73 (+20 bps)	BB, 7-10 Yr.:	6.52% (+01 bps)
		B, 7-10 Yr.:	7.55% (-06 bps)

Treasury yields were sharply higher for the week, with prices dropping in every trading session. Despite January payroll figures that fell well short of forecasts, other positive news from the economy helped drive stock prices higher as Treasuries fell. Monday's report on personal income and consumption for December showed strong increases, with consumer spending exceeding expectations. Also, the January ISM manufacturing and non-manufacturing index both increased more than expected. In addition, nonfarm productivity rose at an annual rate of 2.6%, again exceeding expectations. The only disappointing economic news for the week was the January employment report, which saw an increase of only 36,000 for the month, well short of consensus expectations of 146,000. However, cold and snow over much of the country caused heavier-than-usual job losses. Major economic reports (and related consensus forecasts) for next week include: Monday: December Consumer Credit (\$2.5 billion); Thursday: Initial Jobless Claims (410,000), December Wholesale Inventories (+0.8%), and January Monthly Budget Statement (-\$60.0 billion); and Friday: December Trade Balance (-\$40.2 billion) and February preliminary University of Michigan Consumer Confidence (75.0).

US Stocks			
Weekly Index Performance:		Market Indicators:	
DJIA:	12092.15(+268.45,+2.3%)	Strong Sectors:	Materials, Energy, Technology
S&P 500:	1310.87 (+34.53,+2.7%)	Weak Sectors:	Utilities, Consumer Staples, Telecom Svcs.
S&P MidCap:	944.95 (+27.23,+3.0%)	NYSE Advance/Decline:	2,381 / 776
S&P Small Cap:	424.22 (+10.85,+2.6%)	NYSE New Highs/New Lows:	533 / 33
NASDAQ Comp:	2769.30 (+82.41,+3.1%)	AAII Bulls/Bears:	51.5% / 26.9%
Russell 2000:	800.11 (+24.71,+3.2%)		

US stocks logged their best week in two months despite worry over political protests in Egypt and a mixed January jobs report. Data from around the globe on manufacturing pointed to strong activity while corporate earnings reports were generally encouraging. The DJIA made its first close over 12,000 since June 2008. Commodity prices continued their upward march, though crude oil sold off on Friday in anticipation of a weekend resolution in Egypt. Still, US inflation data out last week gave little cause for alarm and Fed Chairman Bernanke defended the need for QE2 in comments to the media. Retail same-store sales results for January surprised positively. Employers added far fewer jobs than forecast last month but the unemployment rate fell unexpectedly to 9.0%. Investors mostly saw the contradictory headlines as weather-related and stocks finished higher Friday. **ExxonMobil** reported strong quarterly profits on solid operating results and higher energy prices. **UPS** beat estimates on higher shipment volumes and improved pricing. **Pfizer's** earnings came in ahead of estimates investors and cheered its decision to cut back on R&D in favor of share buybacks. **Merck's** results were fine but the company lowered '11 guidance and withdrew guidance for '13. **Intel** lowered guidance in conjunction with announcing a design flaw in a new chipset but the shares didn't move much. **Time Warner** reported strong profits boosted by the networks division and the company increased the dividend 11%. **Dow Chemical** and **Aetna** were among other companies with good results out last week. In merger news, **Alpha Natural Resources** agreed to buy **Massey Energy** for \$8.5 billion. Looking ahead, the pace of corporate earnings reports and key economic data eases a bit this week so geopolitics may be the main focus for investors over the coming days. Though stocks may be due for a pause, positive forces at work in the US economy may keep investors interested in stocks for some time to come.