

US Economy and Credit Markets			
Yields and Weekly Changes:			
3 Mo. T-Bill:	0.02 (+02 bps)	GNMA (30 Yr) 6% Coupon:	113-19/32 (0.97 %)
6 Mo. T-Bill:	0.05 (unch.)	Duration:	3.63 years
1 Yr. T-Bill:	0.09 (unch.)	30-Year Insured Revs:	218.2% of 30 Yr. T-Bond
2 Yr. T-Note:	0.22 (-03bps)	Bond Buyer 40 Yield:	4.63% (-16 bps)
3 Yr. T-Note:	0.33 (-03 bps)	Crude Oil Futures:	99.32 (-2.24)
5 Yr. T-Note:	0.79 (-06 bps)	Gold Futures:	1639.90 (+23.10)
10 Yr. T-Note:	1.86 (-09 bps)	Merrill Lynch High Yield Indices:	
30 Yr. T-Bond:	2.91 (-10 bps)	BB, 7-10 Yr.:	6.35% (+03 bps)
		B, 7-10 Yr.:	8.01% (+01 bps)

Treasury prices were higher this week on safe haven demand for U.S. debt resulting from continued concern about the European debt crisis in a week where France's Finance Minister indicated that S&P will lower the country's credit rating. The U.S. government sold \$66 billion in debt this week inclusive of strong auctions for \$32 billion in 3-year notes on Tuesday and \$21 billion in 10-year notes Wednesday followed by lackluster demand for \$13 billion in 30-year bonds on Thursday. In economic news this week, November wholesale inventories were reported 0.1% higher vs. the estimate of 0.5%. Thursday, December advance retail sales were reported 0.1% higher against the estimate of 0.3%. Excluding autos, sales declined 0.2% vs. the expectation 0.3% growth. Business inventories were reported 0.3% higher for November as the consensus expected 0.4%. The trade deficit was reported Friday and increased to \$47.8 billion in November vs. the estimate of \$45.0 billion and January U of M Consumer Confidence was reported at 74.0 beating expectations of 71.0. Major economic reports (and related consensus forecasts) for next week include: Tuesday: January Empire Manufacturing Index (11.00); Wednesday: December Producer Price Index (0.10%, 5.1% YoY), December Industrial Production (0.5%), December Capacity Utilization (78.1%); Thursday: December Consumer Price Index (0.1%, 3.0% YoY), December Housing Starts (680,000, -0.7%), December Building Permits (680,000, 0.0%), January Philadelphia Fed Index (10.9); Friday: December Existing Home Sales (4.65M, 5.2%).

Weekly Index Performance:		Market Indicators:	
DJIA:	12422.06 (62.14, 0.50%)	Strong Sectors:	Materials, Financials, Industrials,
S&P 500:	1289.09 (11.28, 0.88%)	Weak Sectors:	Energy, Utilities, Consumer Staples
S&P MidCap:	906.59 (15.10, 1.69%)	NYSE Advance/Decline:	2,161 / 988
S&P Small Cap:	427.22 (7.04, 1.68%)	NYSE New Highs/New Lows:	277 / 50
NASDAQ Comp:	2710.67 (36.45, 1.36%)	AAll Bulls/Bears:	49.1% / 17.2%
Russell 2000:	764.20 (14.49, 1.93%)		

The S&P 500 Index returned 1.67% last week starting off 2012 in positive territory. This week the index had four out of five positive days which helped maintain its positive trend for the year by pushing higher another 0.88%. While three of days were modest upticks, Tuesday turned in a positive 0.89% and Friday bringing the only negative day was down 0.49%. While European debt problems are still a concern, Spain's sovereign bond auction raised double the targeted amount. Italy also had a positive debt auction. The US had negative economic news with initial jobless claims increasing the past week to 399K from 375K the prior week. While the claims were higher, they are still well below the trailing 52-week high of 478K recorded in the last week of April 2011. On the positive side, University of Michigan Survey of Consumer Confidence Sentiment came in higher than expected at 74.0 from last month's 69.9. Economist consensus was 71.5. The top performing sector for the week was materials up almost 4.00% with financials and industrials close behind. The energy sector performed the worst of all ten sectors with utilities and consumer staples being the only other two sectors having a negative week. **TripAdvisor**, the online travel research company, turned in the best performance in the S&P 500 with a 15.41% return and **Sear Holdings** a close second with 14.93% return. **BorgWarner**, **Genworth Financial**, **Textron**, **Legg Mason** and **Rockwell Automation** all returned over 10.00%. **CF Industries Holdings**, **Discover Financial Services**, **Freeport-McMoRan Copper & Gold** and **Citigroup** were some of the companies that returned over 7.00% for the week. Next week is a big week for earnings news with large companies reporting such as **Microsoft**, **IBM**, **Google**, **General Electric**, **Intel** and several big financials reporting such as **Wells Fargo**, **Citigroup**, **Bank of America**, **American Express** and **Goldman Sachs**.