US Economy and Credit Markets

Yields and Weekly Changes:

3 Mo. T-Bill:	0.01 (+01 bps)	GNMA (30 Yr) 6% Coupon:	113-07/32 (0.93%)
6 Mo. T-Bill:	0.05 (+02 bps)	Duration:	3.53 years
1 Yr. T-Bill:	0.10 (unch.)	30-Year Insured Revs:	219.7% of 30 Yr. T-Bond
2 Yr. T-Note:	0.24 (-04 bps)	Bond Buyer 40 Yield:	4.84% (-05 bps)
3 Yr. T-Note:	0.35 (-08 bps)	Crude Oil Futures:	98.92 (-0.76)
5 Yr. T-Note:	0.83 (-14 bps)	Gold Futures:	1565.30 (-39.40)
10 Yr. T-Note:	1.87 (-15 bps)	Merrill Lynch High Yield Indices:	
30 Yr. T-Bond:	2.89 (-16 bps)	BB, 7-10 Yr.:	6.59% (-08 bps)
		B, 7-10 Yr.:	8.24% (-08 bps)

Medium and long term treasuries rose during the holiday shortened week as the European Central Bank announced that its balance sheet increased to record levels. Prices were relatively unchanged Tuesday on mixed economic data. December consumer confidence increased to 64.5 well above the expected 58.9, but the Richmond and Dallas Fed Manufacturing Indexes were both lower than anticipated. Investors sought the safety of treasuries on Wednesday on news that the ECB's balance sheet reached all-time highs. The drop in yields was responsible for most of the week's movement. Prices were relatively unchanged on Thursday even as Italy's auction sold less than its maximum allowance and the euro touched its lowest level against the dollar in 15 months. Jobless claims were reported in-line with expectations while pending home sales were better than expected. Treasuries were slightly higher Friday to finish 2011 with the largest yearly gain since 2008. Major economic reports (and related consensus forecasts) for next week include: Tuesday: November Construction Spending (+0.5%), December ISM Manufacturing Index (53.4) and minutes of FOMC meeting released; Wednesday: November Factory Orders (+2.0%) and December Vehicle Sales – Annualized (13.5M Total, 10.4M Domestic); Thursday: Initial Jobless Claims (375,000) and December ISM Non-Manufacturing Composite (53.0); Friday: December Change in Nonfarm Payrolls (150,000), December Change in Private Payrolls (170,000) and December Unemployment Rate (8.7%).

US Stocks

Weekly Index Performance:

DJIA:	12217.56 (-76.44, -.62%)
S&P 500:	1257.60 (-7.73, -.61%)
S&P MidCap:	879.16 (-5.75, -.65%)
S&P Small Cap:	415.07 (-4.59, -1.09%)
NASDAQ Comp:	2605.15 (-13.49, -.52%)
Russell 2000:	740.92 (-87.7, -.66%)

Market Indicators:

Strong Sectors:	Telecommunications, Utilities, Health Care
Weak Sectors:	Basic Materials, Financials, Energy
NYSE Advance/Decline:	1,218 / 1,896
NYSE New Highs/New Lows:	295 / 72
AAII Bulls/Bears:	40.6% / 30.8%

It was a slow week in the markets as there were few headlines to report between Christmas and New Year's. The S&P 500 closed out 2011 at 1257.60, only .04 points below where it began in 2011. The year had many surges and false starts as investor sentiment remain mixed throughout the year. The S&P 500 P/E multiple compressed this year from 17.5 to 14.46, reflecting the S&P's growth in earnings. While individual headlines this week were few and far between, there were some to report. **Sears Holdings** reported disastrous same stores sales figures, which were down 5% from the previous year. The beleaguered retailer announced they would close as many as 120 stores nationwide as it seeks to regain the store's past success. The stock dropped more than 30% in last week's four trading days. However, it was not all bad news for retailers as many stores announced better than expected Christmas sales figures. Instead of enjoying the holiday week, **Verizon Wireless** spent it dealing with frustrated customers who were upset with the company's proposed $2 "convenience fee" for those customers opting to pay their wireless bills online. After 24 hours of dealing with complaints, the company gave their subscribers a belated Christmas gift by cancelling the ill-advised fee. Kicking off 2012, the year will start with some economic data to report. Wednesday the US Census Bureau will report factory orders for the month of November, ADP will release their survey of private employment, followed by the US Labor Department's release of their job figures.