

US Economy and Credit Markets			
Yields and Weekly Changes:			
3 Mo. T-Bill:	0.05 (+01 bps)	GNMA (30 Yr) 6% Coupon:	112-27/32 (1.23 %)
6 Mo. T-Bill:	0.07 (+01 bps)	Duration:	3.67 years
1 Yr. T-Bill:	0.10 (unch.)	30-Year Insured Revs:	206.1% of 30 Yr. T-Bond
2 Yr. T-Note:	0.21 (-03 bps)	Bond Buyer 40 Yield:	4.61% (-06 bps)
3 Yr. T-Note:	0.30 (-06 bps)	Crude Oil Futures:	99.56 (+1.10)
5 Yr. T-Note:	0.74 (-14 bps)	Gold Futures:	1732.2 (+68.20)
10 Yr. T-Note:	1.89 (-13 bps)	Merrill Lynch High Yield Indices:	
30 Yr. T-Bond:	3.05 (-04 bps)	BB, 7-10 Yr.:	6.10% (-18 bps)
		B, 7-10 Yr.:	7.71% (-19 bps)

Treasuries rallied and yields declined across all maturities for the week, as a slew of economic data and some negative headlines pushed investors towards the safer assets. Early in the week, however, treasuries were under pressure when French Finance Minister, Francois Baroin, indicated “tangible progress” was being made between Greece and private creditors on Monday and as the market anticipated pending economic data on Tuesday. Wednesday, the FOMC announced its rate decision and indicated it would maintain low interest rates through at least 2014, lifting equities. Pending home sales also missed expectations coming in at -3.5% vs. a -1% estimate and shorter duration treasuries rallied strongly. On Thursday, December new home sales reported a surprise drop of 2.2% (307k vs. a 321k estimate) and despite other broadly positive economic data, equities fell and treasuries rallied. The January University of Michigan Consumer Confidence number released Friday was reported at 75 vs. a 74 estimate, while GDP printed below expectations (2.8% vs. a 3%) causing yields to decline sharply, with the 5 year touching record lows. Major economic reports (and related consensus forecasts) for next week include: Monday: December personal income (.4%); Tuesday: S&P/CaseShiller November home price index and January Consumer Confidence (68); Wednesday: January ISM Manufacturing (54.5), January Domestic/Total Vehicle Sales (10.5/13.5 Mil); Thursday: Q4 Nonfarm Productivity (.9%); Friday: January change in Nonfarm, Private, and Manufacturing payrolls (150k, 168k, and 11k respectively), January ISM Non-Manufacturing (53.2), January Unemployment Rate (8.5%).

US Stocks			
Weekly Index Performance:		Market Indicators:	
DJIA:	12660.46 (-60.02, -.47%)	Strong Sectors:	Materials, Technology, Industrials
S&P 500:	1316.33 (.95, .07%)	Weak Sectors:	Telecommunications, Consumer Goods, Oil & Gas
S&P MidCap:	942.11(11.49, 1.23%)	NYSE Advance/Decline:	2,251 / 905
S&P Small Cap:	444.83 (6.15, 1.40 %)	NYSE New Highs/New Lows:	367 / 25
NASDAQ Comp:	2816.50 (29.85, 1.07%)	AAII Bulls/Bears:	48.4% / 18.9%
Russell 2000:	798.85 (14.23, 1.81%)		

Domestic stocks were mixed this past week as the Dow Jones was down a half percent, while the S&P 500 was slightly positive. Equity indices paid close attention to comments made by the FOMC, causing stocks to rally late in the week. However, Friday shares reversed from Thursday after reported GDP growth of only 2.8% disappointed investors. To start the week, Monday's big news came from embattled, **Research in Motion** which announced the replacement of its co-CEOs with Thorsten Heins. Investors remained unimpressed and the stock fell 8.47%. Also on Monday, **Chesapeake Energy** rose 6.3% after announcing it would cut natural gas production by 8%. Tuesday's biggest news came from **McDonald's** when its earnings beat the Street's expectations by 2.3%, however the stock fell when the company reported heavier than expected costs. On Wednesday, **Apple** reported earnings of \$13.87 EPS compared to a consensus estimate of \$10.16, surpassing the expectations of some of the biggest Apple bulls. But probably the most optimistic statement and earnings report came from **Caterpillar**, which rose 2.7% on Thursday. On the earnings call, management gave a highly favorable view for the company and the overall economy as demand across all of its segments and geographies appeared strong. With yields on corporate cash earning near record low yields, M&A activity and speculation among pharmaceuticals was prevalent. **Illumina** rose 46.34% to \$55.15 on Thursday, after **Roche** announced a proposal to acquire all outstanding shares for \$44.50. Looking ahead, markets will be working their way through earnings season as **Amazon**, **Tyco**, **UPS**, **Viacom** and **Merck** all report earnings. Finally, **ADP** will release its January private-sector payrolls report.