

US Economy and Credit Markets			
Yields and Weekly Changes:			
3 Mo. T-Bill:	0.08 (+01 bps)	GNMA (30 Yr) 6% Coupon:	111-13/32 (1.50%)
6 Mo. T-Bill:	0.13 (unch.)	Duration:	3.43 years
1 Yr. T-Bill:	0.17 (unch.)	30-Year Insured Revs:	151.7% of 30 Yr. T-Bond
2 Yr. T-Note:	0.24 (-01 bps)	Bond Buyer 40 Yield:	3.89% (-6 bps)
3 Yr. T-Note:	0.32 (unch.)	Crude Oil Futures:	86.05 (-2.86)
5 Yr. T-Note:	0.62 (unch.)	Gold Futures:	1704.00 (-6.90)
10 Yr. T-Note:	1.62 (+01 bps)	Merrill Lynch High Yield Indices:	
30 Yr. T-Bond:	2.82 (+01 bps)	BB, 7-10 Yr.:	5.36% (-13 bps)
		B, 7-10 Yr.:	6.44% (-17 bps)

Treasuries ended the week mostly unchanged after a good jobs report on Friday erased gains from earlier in the week that were largely due to the lack of progress resolving the fiscal cliff. In economic news, the ISM manufacturing index fell to 49.5 in November, lower than the survey estimate of 51.4. November total vehicle sales were reported at a seasonally adjusted annual rate of 15.46 million units, higher than the estimate of 15.00. Domestic vehicle sales were 12.01 million, also head of consensus estimates of 11.50 million. The ISM non-manufacturing index increased to 54.7 in November, higher than the estimate of 53.5. Nonfarm productivity increased 2.9% in the third quarter, slightly higher than estimates of 2.8%. Factory orders increased 0.8% in October vs. the estimate of no growth. Nonfarm payrolls increased an unexpected 146,000 in November, topping economist estimates of 86,000 and the unemployment rate declined from 7.9% to 7.7%. Preliminary December U of M Consumer Confidence was reported at 74.5, below the estimate of 82.0. Major economic reports (and related consensus forecasts) for next week include: Tuesday: October Trade Balance (-\$42.7B), October Wholesale Inventories (0.4%); Wednesday: November Import Price Index (-0.5% MoM, -1.0% YoY), Federal Funds Target Rate (0.25%); Thursday: November Advance Retail Sales (0.4%), November PPI (-0.5% MoM, 1.8% YoY), November PPI Excluding Food and Energy (0.2% MoM, 2.2% YoY), October Business Inventories (0.3%); Friday: November CPI (-0.2% MoM, 1.9% YoY), November CPI Excluding Food and Energy (0.2% MoM, 2.0% YoY), November Industrial Production (0.2%), November Capacity Utilization (78.0%).

US Stocks			
Weekly Index Performance:		Market Indicators:	
DJIA:	13155.13 (+129.55, +1.0%)	Strong Sectors:	Financials, Industrials, Energy
S&P 500:	1418.07 (+1.89, +0.1%)	Weak Sectors:	Materials, Info Tech, Telecom
S&P MidCap:	1002.71 (+2.56, +0.3%)	NYSE Advance/Decline:	1,499/ 1,641
S&P Small Cap:	462.14 (-0.01, 0.0%)	NYSE New Highs/New Lows:	267/ 64
NASDAQ Comp:	2978.04 (-32.20, -1.1%)	AAll Bulls/Bears:	42.2%/ 34.6%
Russell 2000:	822.27 (+0.35, 0.0%)		

Equities were mixed for the week, with the Dow Jones Industrial Average up 1% and the technology heavy NASDAQ falling almost the same percentage. A 9% drop for the week in **Apple Inc.** led the selloff in tech shares as **Microsoft** inked a smart phone deal with China's largest telecommunications provider and investors locked in capital gains at a potential lower rate. The market remained focused on the looming fiscal cliff as House Speaker John Boehner and President Barack Obama try to hammer out a deal. **Oracle Corp.** and **Coach Inc.** became two of the latest companies to announce a special cash dividend before the end of the year to avoid a potential new tax rate of 43.4% for top earners, versus the current 15% rate. According to Markit Securities Finance, special cash dividends are at an all-time high with 159 companies announcing payments in the fourth quarter to date. In employment news, the jobless rate fell two-tenths of a percentage point to 7.7%, the lowest rate since December 2008. November nonfarm payrolls rose by a better-than-expected 146,000 versus the 80,000 predicted by economists. In other stocks news, **Big Lots Inc.** lost ground after it was reported that the CEO is being investigated for selling \$10 million in shares right before the shares plunged 24%. Investors reacted negatively to **Freeport-McMoRan Copper & Gold Inc.** buying both **McMoRan Exploration Co.** and **Plains Explorations & Production Company.** **Freeport-McMoRan Copper & Gold Inc.** paid a hefty premium for both firms and is expanding back into exploration and production, an area they had previously divested. Looking ahead, markets will remain volatile in the near term due to uncertainty over a comprehensive bipartisan plan to stave off the fiscal cliff. For investors with a longer time horizon, uncertainty should create a nice entry point for many individual equities, as they are generally driven by their cash-flows and earnings over time.