

| US Economy and Credit Markets | | | |
|-------------------------------|----------------|-----------------------------------|-------------------------|
| Yields and Weekly Changes: | | | |
| 3 Mo. T-Bill: | 0.06 (+03 bps) | GNMA (30 Yr) 6% Coupon: | 112-01/32 (1.27%) |
| 6 Mo. T-Bill: | 0.11 (+01 bps) | Duration: | 3.44 years |
| 1 Yr. T-Bill: | 0.14 (+01 bps) | 30-Year Insured Revs: | 149.8% of 30 Yr. T-Bond |
| 2 Yr. T-Note: | 0.27 (+03 bps) | Bond Buyer 40 Yield: | 4.11% (+09 bps) |
| 3 Yr. T-Note: | 0.37 (+04 bps) | Crude Oil Futures: | 88.92 (+2.19) |
| 5 Yr. T-Note: | 0.76 (+06bps) | Gold Futures: | 1659.10 (-36.7) |
| 10 Yr. T-Note: | 1.76 (+04 bps) | Merrill Lynch High Yield Indices: | |
| 30 Yr. T-Bond: | 2.93 (+07 bps) | BB, 7-10 Yr.: | 5.22% (+03 bps) |
| | | B, 7-10 Yr.: | 6.35% (+01 bps) |

Treasuries were mostly lower this week as positive U.S. economic data and apparent progress in Fiscal Cliff negotiations reduced demand for the safety of government debt. Yields were higher on Monday as investors speculated that leaders in Washington were making progress on budget talks, even as Dec. Empire Manufacturing was reported at - 8.1, missing expectations of -1. Tuesday, treasuries slid further, with the 30 year yield touching a 3-month high of 3% as investors continued to believe that talks between president Barack Obama and Republican Speaker John Boehner would yield progress and prevent recession, according to Bloomberg. That optimism faded on Wednesday when the White House threatened to veto a Republican budget plan sending treasuries higher. Also on Wednesday, November housing starts were reported at 861K vs. a 872K survey, while building permits were 899K, beating an 875K expectation. On Thursday, treasuries pared gains as revised readings showed U.S. GDP rose 3.1% in Q3 vs. 2.7% previously estimated and November Existing Home Sales rose 5.9% MoM to 5.04M. Friday treasuries rallied to close the week when Republican leaders scrapped plans to allow tax increases on higher income earners. Major economic reports (and related consensus forecasts) for next week include: Monday: Oct. S&P/CS 20 City MoM/YoY% (.48% and 4%, respectively); Thursday: Dec. Consumer Confidence (70), Nov. New Home Sales and MoM% (380K and 3.3%, respectively); Friday: Dec. Chicago PMI (51), Nov. Pending Home Sales MoM/ YoY% (1% and 10.6%, respectively).

| US Stocks | | | |
|---------------------------|-------------------------|--------------------------|-------------------------------------|
| Weekly Index Performance: | | Market Indicators: | |
| DJIA: | 13190.84 (55.83, 0.47%) | Strong Sectors: | Financials, Info Tech., Materials |
| S&P 500: | 1430.15 (16.57, 1.21%) | Weak Sectors: | Cons. Staples, Telecom, Health Care |
| S&P MidCap: | 1022.36 (20.83, 2.10%) | NYSE Advance/Decline: | 2,127 / 1,040 |
| S&P Small Cap: | 475.73 (14.33, 3.13%) | NYSE New Highs/New Lows: | 349 / 75 |
| NASDAQ Comp: | 3021.01 (49.67, 1.70%) | AAll Bulls/Bears: | 46.4% / 24.8% |
| Russell 2000: | 847.92 (24.17, 2.98%) | | |

On Monday stocks advanced the most in almost a month as investors were bullish about reported advances in Washington on a budget deal. On Tuesday stocks were up to a two month high as more signals came that Washington might get a budget deal done before year end. However, optimism faded Friday as Speaker Boehner announced his fellow Republicans in the House had abandoned his 'plan b' to the 'fiscal cliff'. All told the S&P 500 was up 1.2% for the week as prospects on getting a budget deal improved but were dealt a setback late in the week as the 'fiscal cliff' still looms in the near future. This week US GDP quarter over quarter was announced to be 3.1% (annualized), which was above consensus estimates of 2.8%. Personal consumption was announced to be up 1.6% vs. 1.4% consensus from last month. **FedEx Corp.** announced earnings that were slightly below analyst estimates but revenues that beat estimates and the stock was up 1%. **CarMax Inc.** announced earnings of \$0.41 vs. the \$0.39 estimates coupled with a raise in revenues and margins sent the stock up nearly 9%. Thursday, **IntercontinentalExchange Inc.** offered to buy **NYSE Euronext** for \$33.12 in cash which sent NYSE shares surging 34%. **Caribou Coffee Co.** received a \$16 cash deal from an Austrian conglomerate which was nearly a 32% premium over their previous closing price. **Ameristar Casinos Inc.** received a \$26.50 cash deal from **Pinnacle Entertainment Inc.** which was a 30% premium over their previous closing price. Next week markets are open a half day Monday for Christmas eve, closed Tuesday for Christmas and open normally Wednesday, Thursday and Friday. Merry Christmas!