

US Economy and Credit Markets			
Yields and Weekly Changes:			
3 Mo. T-Bill:	0.008 (-05 bps)	GNMA (30 Yr) 6% Coupon:	112-28/32 (1.34%)
6 Mo. T-Bill:	0.09 (-01 bps)	Duration:	3.44 years
1 Yr. T-Bill:	0.14 (-01 bps)	30-Year Insured Revs:	152.2% of 30 Yr. T-Bond
2 Yr. T-Note:	0.25 (-02 bps)	Bond Buyer 40 Yield:	4.10%
3 Yr. T-Note:	0.35 (-03 bps)	Crude Oil Futures:	90.80 (-3.32)
5 Yr. T-Note:	0.71 (-05 bps)	Gold Futures:	1655.90 (-3.2)
10 Yr. T-Note:	1.70 (-06 bps)	Merrill Lynch High Yield Indices:	
30 Yr. T-Bond:	2.89 (-06 bps)	BB, 7-10 Yr.:	5.22% (+01 bps)
		B, 7-10 Yr.:	6.36% (+01 bps)

Treasuries rallied in a shortened holiday week, sending yields lower as the year-end deadline for Fiscal Cliff negotiations loomed and the U.S. faces \$600B in automatic spending cuts and tax boosts if a deal is not reached. Christmas Eve fell on Monday and Treasuries were little changed, trading in a tight range on light volume before an early close at 2 p.m. EST, according to Bloomberg. Markets were closed on Tuesday for the Christmas holiday. Treasuries rallied strongly on Wednesday, when Treasury Secretary Timothy Geithner said he would take measures to postpone a U.S. default before a statutory debt limit is reached. Also on Wednesday, the October S&P/CS Composite-20 was reported at 4.3%, ahead of a 4% survey. Treasuries advanced on Thursday as House Majority Leader Harry Reid said the budget stalemate threatened to push the economy into recession and indicated it would not be resolved before the year-end deadline. November New Home Sales also rose 4.4% for the month, ahead of 3.3% expectations. On Friday, November Pending Home Sales increased 1.7% MoM and Treasuries held on to gains for the week as investors sought the safety of government debt with progress lagging in fiscal cliff negotiations. Major economic reports (and related consensus forecasts) for the shortened holiday week next week include: Monday: December Dallas Fed Manf. Activity; Wednesday: December ISM Manufacturing (50.3) and Nov. Construction Spending MoM (.6%); Thursday: Dec. Total Vehicle Sales (15.25M) and Domestic Vehicle Sales (11.68M); Friday: Dec. Change in Nonfarm Payrolls (150K), Dec. Unemployment Rate (7.7%), Nov. Factory orders (.4%)

US Stocks			
Weekly Index Performance:		Market Indicators:	
DJIA:	12938.11(-252.73, -1.92%)	Strong Sectors:	Materials, Telecom, Financials
S&P 500:	1402.43 (-27.72, -1.9%)	Weak Sectors:	Energy, Utilities, Information Technology
S&P MidCap:	1004.33 (-18.03, -1.73%)	NYSE Advance/Decline:	778 / 2,373
S&P Small Cap:	467.41 (-8.32, -1.71%)	NYSE New Highs/New Lows:	152 / 73
NASDAQ Comp:	2960.31 (-60.69, -1.96%)	AAll Bulls/Bears:	44.4% / 30.2%
Russell 2000:	832.1 (-15.82, -1.79%)		

Today marks the final trading day for 2012. Despite last week's drop in the S&P 500 of almost 2%, indexes have performed well. Year to date, the S&P 500 has returned 14.07%, the Dow 8.84%, the Russell 3000 14.45% and the FTSE 100 15.79%. Last week's drop was mostly attributable to the uncertainty involving a deal to avoid the fiscal cliff. If Congress cannot reach a deal, \$600 billion in automatic cuts in spending and tax increases would immediately take effect. According to the *Wall Street Journal*, the Pentagon has been readying a plan to notify 800,000 employees that they could be forced to take several weeks of unpaid leave in 2013 if a deal cannot be struck. In company news, it was a slow week. **Marvell Technology** fell 14% last week after a US Jury ordered the company to pay \$1.17 billion in damages to Carnegie Mellon University for infringing on patents held by the university. UK publisher and owner of the *Financial Times*, **Pearson**, agreed to purchase a 5% stake in **Barnes and Noble's** Nook for \$89.5 million. Also, **Toyota** announced they would spend \$1.1 billion to settle lawsuits related to claims that its vehicles would spontaneously accelerate. Looking ahead, trading in the holiday shortened week will most likely be driven by news coming out of Washington. Tuesday, the market will be closed so that revelers can ring in the 2013. Finally, the market may get a better glimpse into the performance of retailers during the holiday season as **Family Dollar** reports earnings on Thursday.