

US Economy and Credit Markets			
Yields and Weekly Changes:			
3 Mo. T-Bill:	0.07 (unch.)	GNMA (30 Yr) 6% Coupon:	110-29/32 (2.07%)
6 Mo. T-Bill:	0.09 (unch.)	Duration:	3.62 years
1 Yr. T-Bill:	0.12 (unch.)	30-Year Insured Revs:	139.4% of 30 Yr. T-Bond
2 Yr. T-Note:	0.28 (-01 bps)	Bond Buyer 40 Yield:	5.09 (unch.)
3 Yr. T-Note:	0.56 (-02 bps)	Crude Oil Futures:	94.84 (+1.01)
5 Yr. T-Note:	1.35 (+01 bps)	Gold Futures:	1,242.10 (-45.3)
10 Yr. T-Note:	2.74 (+04 bps)	Merrill Lynch High Yield Indices:	
30 Yr. T-Bond:	3.83 (+03 bps)	U.S. High Yield:	6.38% (-04 bps)
		BB:	5.06% (-04 bps)
		B:	6.40% (-04 bps)

Near-term Treasury yields declined slightly amid mixed economic data and the Federal Reserve's continued commitment to very low short-term interest rates. Longer-term bond yields continued increasing during the week and the yield curve continues steepening as investors prefer shorter duration bonds in anticipation of an eventual roll-back of Fed asset purchases. Higher interest rates may encourage banks to extend more loans, as they will collect more on higher yielding loans. On Wednesday, there were major reports offering the latest information on the health of the consumer. MBA Mortgage applications disappointed for the third straight week as refinancing activity stretched to a two week low. The 30 fixed home loan average rate rose to 4.46 percent. Retail sales surprised MoM coming in at .3% growth just before the pivotal, but shorter than usual, holiday shopping season. There was concern that the consumer stayed home during the government shutdown but this was not the case. Continued low energy costs are keeping the CPI low, the CPI MoM fell .1%, and hourly earnings gained 1.3 percent in October. Finally, Thursday brought news of existing home sales slightly below expectations and below last month's activity. The PPI MoM declined slightly as was anticipated. Major economic reports (and related consensus forecasts) for the shortened holiday next week include: Tuesday: Housing Starts (920,000), Consumer Confidence Index (72.4, +1.2); Wednesday: MBA Mortgage Applications, Initial Jobless Claims (330,000, +7,000), Durable Good Orders (-1.9%), University of Michigan Confidence (73, +1) and the October Leading Index MoM (0%).

US Stocks			
Weekly Index Total Return:		Market Indicators:	
DJIA:	16064.77 (0.71%)	Strong Sectors:	Financials, Health Care, Energy
S&P 500:	1804.76 (0.41%)	Weak Sectors:	Utilities, Cons. Staples Telecom
S&P MidCap:	1308.81 (-0.21%)	NYSE Advance/Decline:	1,484 / 1,718
S&P Small Cap:	648.08 (1.13%)	NYSE New Highs/New Lows:	458 / 150
NASDAQ Comp:	3991.65 (0.21%)	AAll Bulls/Bears:	34.4% / 29.5%
Russell 2000:	1124.92 (0.79%)		

The two major U.S. equity benchmarks closed at all-time highs on Friday, with the Dow Jones Industrial Average over 16,000 and the S&P 500 over 1,800. For the week, the S&P 500 was up 0.71% capping a seventh straight week of gains for the index. The advance pushed the S&P 500 up nearly 29% for the year, poised to be the largest annual increase since 1997. Early in the week equity markets did slide on Federal Reserve minutes revealed the central bank may reduce bond purchases in the coming months. Morningstar Inc. announced that equity mutual funds have seen \$172b in flows the first 10 months of the year, the most in a year since 2000 when equity flows were \$272b. News feeds for **Herbalife Ltd.** were interesting this week, as Bill Stiritz (CEO of **Post Holding Inc.**) boosted his holding in the company to 6.4% sending the stock up 6.5%. Stiritz also stated he was willing to take part in a leveraged buyout of the company in an effort to fend off Bill Ackman who continues to believe the company is a fraud. Friday, the aforementioned Ackman responded by saying he would take his bet against Herbalife "to the end of the earth," even after losing as much as \$500m on his shorting of the vitamin maker's stock. **General Motors Co.** saw its shares gain 1.1% Thursday as the US Treasury said it plans to sell its remaining stake in the company. **Foot Locker Inc.** rallied over 4% as the shoe retailer posted 3Q earnings ahead of estimates. **Gap Inc.** fell over 1% as they announced annual profit forecasts at the lower end of their range, a signal that holiday retail sales might fall short of estimates. **International Business Machines Corp.** fell as famed hedge fund manager Stan Druckenmiller said he is betting against the company on concerns that the tech giant has a weak cloud computing footprint. Looking forward to next week, equity markets will be closed all of Thursday and part of Friday for Thanksgiving celebrations.