

US Economy and Credit Markets			
Yields and Weekly Changes:			
3 Mo. T-Bill:	0.07 (unch.)	GNMA (30 Yr) 6% Coupon:	112-24/32 (1.18%)
6 Mo. T-Bill:	0.11 (+01 bps)	Duration:	3.63 years
1 Yr. T-Bill:	0.14 (+01 bps)	30-Year Insured Revs:	134.9% of 30 Yr. T-Bond
2 Yr. T-Note:	0.25 (-01 bps)	Bond Buyer 40 Yield:	4.02 (unch.)
3 Yr. T-Note:	0.37 (-03 bps)	Crude Oil Futures:	95.78 (-1.99)
5 Yr. T-Note:	0.83 (-05 bps)	Gold Futures:	1666.00 (-3.00)
10 Yr. T-Note:	1.95 (-06 bps)	Merrill Lynch High Yield Indices:	
30 Yr. T-Bond:	3.16 (-05 bps)	BB, 7-10 Yr.:	5.32% (+09 bps)
		B, 7-10 Yr.:	6.40% (+12 bps)

Treasuries lifted higher this week amidst volatility in equity markets and mixed economic data. Yields fell on Monday in "risk off" trading as U.S. December Factory orders rose 1.8%, missing expectations, and the January ISM New York survey was reported at 56.7. Tuesday marked a reversal of course when European stocks rallied and Treasuries declined, with the 10 year closing at around a 2 percent yield. On Wednesday, Treasuries rallied modestly and the U.S. Treasury called on Congress to pass a longer term debt limit while announcing plans to sell \$72B of notes and bonds next week. Robert Shiller, co-creator of the S&P/Case-Shiller index was also quoted as saying that he sees no "major rally" in U.S. housing values. On Thursday, yields were relatively unchanged amid a choppy trading session and mixed economic data. Q4 Nonfarm Productivity fell -2%, missing expectations for a -1.4% decline. Q4 Unit Labor costs also grew 4.5%, 150 bps greater than expected while December Consumer Credit expanded to \$14.59B. On Friday, Treasuries fell intraday, but ultimately moved higher, sending yields down, when reports showed that the U.S. Trade Deficit was -\$38.5B in December against expectations of -\$46B. Major economic reports (and related consensus forecasts) for next week include: Tuesday: January Monthly Budget Statement (-\$2B); Wednesday: January Import Price Index (.8% MoM), January Advance Retail Sales (.1%), and Dec. Business Inventories (.3%) Friday: February Empire Manufacturing (-2.00), January Industrial Production (.2%), January Capacity Utilization (78.9%), and February Preliminary U. of Michigan Confidence (74.8)

US Stocks			
Weekly Index Performance:		Market Indicators:	
DJIA:	13992.97 (-16.82, -0.1%)	Strong Sectors:	Cons Staples, Info Tech, Cons Discretionary
S&P 500:	1517.93 (+4.76, +0.3%)	Weak Sectors:	Telecom, Materials, Utilities
S&P MidCap:	1109.09 (+7.5, +0.7%)	NYSE Advance/Decline:	1,671/ 1,467
S&P Small Cap:	512.24 (+2.81, +0.6%)	NYSE New Highs/New Lows:	580/ 37
NASDAQ Comp:	3193.87 (+14.77, +0.5%)	AAll Bulls/Bears:	42.8%/ 29.6%
Russell 2000:	913.67 (+2.47, +0.3%)		

Equities were mixed for the week as a better-than-expected ISM-Non Manufacturing number and strong trade data from China helped stocks. However, political uncertainty in Italy and Spain as well as ECB President Draghi's concerns about a strong Euro hurt global investors' confidence. Turning to earnings season, 341 companies in the S&P 500 have reported earnings with 67% of companies beating on revenues. Financials have provided the biggest surprise while Energy stocks have surprised to the downside. **Humana Inc.** gained after earnings on higher membership rates from its Medicare Advantage segment. In retail, **Ralph Lauren Corp.** and **The Estee Lauder Companies Inc.** both gained after posting strong holiday quarters. Additionally, **O'Reilly Automotive Inc.** jumped after 4<sup>th</sup> quarter comps increased by 4.2%. In technology, **Entropic Communications Inc.** declined after reducing guidance due to seasonal factors and share loss in connectivity. In merger news, **Dell Inc.** agreed to go private in a \$24.4 billion leveraged buyout, the largest LBO since the financial crisis. However, some investors are vowing to fight the \$13.65 a share price tag, as they believe it undervalues the company at roughly 8 times earnings. Looking ahead to next week, President Obama's State of the Union Address and U.S. Retail Sales for January will be key headlines.