

| US Economy and Credit Markets | | | |
|-------------------------------|----------------|-----------------------------------|-------------------------|
| Yields and Weekly Changes: | | | |
| 3 Mo. T-Bill: | 0.04 (-03 bps) | GNMA (30 Yr) 6% Coupon: | 110-28/32 (2.25%) |
| 6 Mo. T-Bill: | 0.06 (-03 bps) | Duration: | 3.61 years |
| 1 Yr. T-Bill: | 0.11 (unch.) | 30-Year Insured Revs: | 141.8% of 30 Yr. T-Bond |
| 2 Yr. T-Note: | 0.37 (-03 bps) | Bond Buyer 40 Yield: | 5.03 (-12 bps) |
| 3 Yr. T-Note: | 0.78 (unch.) | Crude Oil Futures: | 92.82 (-1.14) |
| 5 Yr. T-Note: | 1.62 (-11 bps) | Gold Futures: | 1,246.70 (+8.10) |
| 10 Yr. T-Note: | 2.86 (-14 bps) | Merrill Lynch High Yield Indices: | |
| 30 Yr. T-Bond: | 3.80 (-13 bps) | U.S. High Yield: | 6.29% (-08 bps) |
| | | BB: | 5.00% (-06 bps) |
| | | B: | 6.33% (-07 bps) |

Treasury prices ended the week much higher on poor economic data that eased concerns that the Federal Reserve would accelerate the tapering of the bond purchasing program. On Monday, the Institute for Supply Management service sector index dropped to 53.0 from 53.9 in December, which was well below the estimate of 54.7 and caused Treasury prices to rise. After another day of small gains on Tuesday, Treasury prices dropped significantly on Wednesday as details from the Fed's minutes showed there is still significant concern over the waning benefits of the stimulus. However, Treasury prices rebounded slightly on Thursday before they soared again on Friday after the Change in Nonfarm Payrolls report was only 74,000, which was well below the estimates of 197,000. This led to speculation that the Fed would not taper the bond buying program any quicker than currently planned. There was a Treasury auction on Tuesday where demand for 3-year notes was good, and another auction on Thursday after strong demand for 30-year notes. Major economic reports (and related consensus forecasts) for the upcoming week include: Tuesday: Advance Retail Sales (0.1% MoM); Wednesday: January Empire Manufacturing (4.00), December Producer Price Index (0.4% MoM, 1.1% YoY); Thursday: December Consumer Price Index (0.3% MoM, 1.5% YoY), January 11 Initial Jobless Claims (325,000); Friday: December Housing Starts (992,000), December Industrial Production (0.3% MoM), January U. of Michigan Confidence (83.5).

| US Equities | | | |
|---------------------------|--------------------|--------------------------|---|
| Weekly Index Performance: | | Market Indicators: | |
| DJIA: | 16,437.05 (-0.15%) | Strong Sectors: | Health Care, Utilities, Financials |
| S&P 500: | 1,842.37 (0.63%) | Weak Sectors: | Telecom Services, Materials, Cons Staples |
| S&P Midcap: | 1,349.09 (1.17%) | NYSE Advance/Decline: | 2,058/ 1,147 |
| S&P Smallcap: | 659.80 (-0.03%) | NYSE New Highs/New Lows: | 418/ 45 |
| NASDAQ Comp: | 4,174.67 (1.06%) | AAll Bulls/Bears: | 43.6% / 25.0% |
| Russell 2000: | 1,164.53 (0.74%) | | |

Last week the S&P 500 Index closed with a 0.63% return for the first full week of trading in 2014. The index was down 0.90% the prior week in the first two days of trading for the year. Monday followed the previous week's downward trend returning -0.25% as the ISM Non-Manufacturing Index came in lower than expected. Tuesday reversed the negative trend with a 0.61% return, the largest of the week, on positive news of the decline in the U.S. trade deficit. Higher than expected ADP Employment data was released on Wednesday, though stocks closed flat for the day. Stocks advanced early on Thursday but quickly gave up their gains to close flat for the day. US initial jobless claims were 330K, which was lower than expected. Claims decreased from the previous week's 339K and were lower than the consensus estimate of 335K. Nonfarm payroll came in much lower than expectations on Friday, though the index still closed in positive territory with a 0.23% return. Eight of the ten economic sectors had positive performance for the week. The health care sector was the best performing sector with a 2.69% return. Utilities and financials sectors followed with 2.48% and 0.73% returns, respectively. The telecommunication services sector's -1.16% return was the worst performance of all the sectors and was followed by materials and consumer staples which returned -0.23% and 0.01%, respectively. **Forest Laboratories Inc.**, a specialty pharmaceuticals company, turned in the best performance in the S&P 500 Index with a 15.73% gain. The stock jumped after their \$2.9 billion acquisition announcement of Aptalis on Wednesday. The next two best performers were **Constellation Brands Inc.** and **Micron Technology Inc.** with returns of 15.36% and 13.07% respectively. This week will bring earnings news from companies such as **General Electric Co.**, **Wells Fargo & Co.**, **JPMorgan Chase & Co.**, **Bank of America Corp.**, **Citigroup Inc.**, **Intel Corp.**, **Schlumberger Ltd.**, **American Express Co.**, **Goldman Sachs Group Inc.**, **UnitedHealth Group Inc.** and many more.