

US Economy and Credit Markets			
Yields and Weekly Changes:			
3 Mo. T-Bill:	0.03 (-01 bps)	GNMA (30 Yr) 6% Coupon:	111-02/32 (2.18%)
6 Mo. T-Bill:	0.06 (unch.)	Duration:	3.62 years
1 Yr. T-Bill:	0.10 (-01 bps)	30-Year Insured Revs:	142.93% of 30 Yr. T-Bond
2 Yr. T-Note:	0.37 (unch.)	Bond Buyer 40 Yield:	4.95 (-8 bps)
3 Yr. T-Note:	0.79 (+01 bps)	Crude Oil Futures:	94.37 (+1.65)
5 Yr. T-Note:	1.63 (+1 bps)	Gold Futures:	1,251.90 (+5.00)
10 Yr. T-Note:	2.82 (-04 bps)	Merrill Lynch High Yield Indices:	
30 Yr. T-Bond:	3.75 (-05 bps)	U.S. High Yield:	6.22% (-07 bps)
		BB:	4.94% (-06 bps)
		B:	6.25% (-08 bps)

Treasuries gained this week as housing starts declined in December, industrial production came in as expected and consumer confidence unexpectedly fell. This is the third consecutive week of gains for Treasuries following the 10 year yield peaking at 3.05% on January 2nd. On Tuesday, the December Retail Sales Report showed a 0.2% increase in December and sales up 4.1% versus a year ago. Wednesday began with the MBA Mortgage Application report for the week of January 10 which showed mortgage applications from purchases and refinancing rose 11.9% from the prior report and the share of total applications arising from purchases (vs. refinancing) increased. The average rate on a 30 fixed loan is 4.66%. While crude oil prices rose .6% in December, they are still down 5.9% from a year ago and continue to contribute to overall low PPI growth rates. The overall PPI index registered the smallest annual increase (+1.2%) in five years. The December Consumer Price Index data released Thursday came in as expected at .3%. Another Thursday report, Initial Jobless Claims from the week ended January 11, showed Jobless claims fell 2,000. Friday's December Housing Starts beat expectations, but registered a fall from the prior month, with 999K starts and Industrial Production for December came in as expected at .3%. The week ended on a somber note as the University of Michigan preliminary Survey of Confidence for January fell just over 2 points even though expectations were for an increase. This could indicate slower consumer spending to start the new year. Major economic reports (and related consensus forecasts) for the upcoming shortened holiday week include: Wednesday: MBA Mortgage Applications; Thursday: Initial Jobless Claims (330,000, +4,000); December Existing Home Sales (4.94M); Dec Leading Index (.2%, -.6%).

US Stocks			
Weekly Index Total Return:		Market Indicators:	
DJIA:	16,458.56 (0.15%)	Strong Sectors:	Info. Tech., Telecom., Materials
S&P 500:	1838.70 (-0.18%)	Weak Sectors:	Cons. Discret., Energy, Cons. Staples.
S&P MidCap:	1347.81 (-0.08%)	NYSE Advance/Decline:	1,700 / 1,493
S&P Small Cap:	659.81 (0.02%)	NYSE New Highs/New Lows:	455 / 63
NASDAQ Comp:	4197.58 (0.55%)	AAll Bulls/Bears:	39.0% / 21.5%
Russell 2000:	1168.43 (0.35%)		

U.S. equity markets were choppy this week, which ended nearly flat as the S&P 500 had a -0.18% return and the Dow Jones Industrial Average eked out a 0.15% gain. The choppiness in equities was mainly headline driven throughout the week. Monday markets fell the most in two months due to some mixed corporate earnings announcements, Tuesday markets rose giving the S&P 500 its biggest gain of the year, Wednesday markets were up again as the World Bank raised its global growth forecasts and the S&P 500 reached an all-time high, Thursday and Friday were down as corporate earnings were mixed. **Wells Fargo & Co.** announced a record quarterly profit Tuesday that sent the bank up over 1.8%. **Bank of America Corp.** announced earnings that were well above market expectations that sent the stock up more than 2.3% on Wednesday. **Merck & Co.** rose over 6.5% to its highest level in six years as it announced early approval of a new cancer treatment. **Google Inc.** announced they will be buying **Nest Labs**, the 'smart thermostat' maker, for \$3b in cash. **Apple Inc.** gained more than 2% after **China Mobile Ltd.** announced that pre-orders of the iPhones reached 1m. **Beam Inc.** jumped 25% to an all-time high on news that Japanese based **Suntory Beverage & Food** will purchase the American liquor maker for cash and make the 3<sup>rd</sup> largest spirits company in the world. Next week the market expects to hear earnings announcements from a few mega cap companies: **Johnson & Johnson, McDonalds Corp., Verizon Communications Inc.** and **Procter & Gamble Co.**