

US Economy and Credit Markets			
Yields and Weekly Changes:			
3 Mo. T-Bill:	0.05 (+02 bps)	GNMA (30 Yr) 6% Coupon:	110-19/32 (2.31%)
6 Mo. T-Bill:	0.06 (+01 bps)	Duration:	3.61 years
1 Yr. T-Bill:	0.10 (unch.)	30-Year Insured Revs:	146.5% of 30 Yr. T-Bond
2 Yr. T-Note:	0.34 (-03 bps)	Bond Buyer 40 Yield:	4.87 (-08 bps)
3 Yr. T-Note:	0.72 (-06 bps)	Crude Oil Futures:	96.64 (-2.27)
5 Yr. T-Note:	1.54 (-08 bps)	Gold Futures:	1,264.30 (+12.40)
10 Yr. T-Note:	2.71 (-10 bps)	Merrill Lynch High Yield Indices:	
30 Yr. T-Bond:	3.63 (-12bps)	U.S. High Yield:	6.30% (+08 bps)
		BB:	4.99% (+05 bps)
		B:	6.31% (+06 bps)

Treasuries rallied strongly in the holiday shortened week, sending yields lower amid tepid earnings data and sharp declines in equity markets. Following Monday's market closure in observance of Martin Luther King Jr. Day, yields were little changed on Tuesday as investors debated whether the economic outlook was strong enough to support Fed tapering. News from the Treasury market was light on Wednesday as well with a Federal Reserve auction of 4 week notes drawing strong demand. On Thursday, Treasuries rallied strongly as tepid economic data showed muted economic expansion. The December Leading Index missed expectations, increasing just .1% against survey estimates of .2% growth. Additionally, Continuing Jobless claims from the week of Jan. 11 were higher than expected and Dec. Existing Home Sales increased 1%. On Friday, Treasuries rallied strongly into the weekend as demand for safety amid declining equity markets was strong. Major economic reports (and related consensus forecasts) for the upcoming week include: Monday: Dec. New Home Sales (-1.9%); Tuesday: Dec. Durable Goods Orders (+1.8%), Nov. S&P CS 20 City MoM SA (+.8%), Jan. Consumer Confidence (78.0); Wednesday: Federal Reserve Announces QE3 Pace (\$65B) and FOMC rate decision (.25%); Thursday: Q4 GDP Annualized (3.2%), Q4 Personal Consumption Annualized (3.7%), and Dec. Pending Home Sales (+1.4% YoY); Friday: Dec. Personal Income (.2%) and Spending (.2%), Q4 Employment Cost Index (.4%), and January Univ. of Michigan Confidence (81).

US Stocks			
Weekly Index Performance:		Market Indicators:	
DJIA:	15879.11 (-3.5%)	Strong Sectors:	Utilities, Info Tech, Telecom
S&P 500:	1790.29 (-2.62%)	Weak Sectors:	Materials, Industrials, Financials
S&P MidCap:	1314.11 (-2.49%)	NYSE Advance/Decline:	1,088 / 2,130
S&P Small Cap:	647.43 (-1.87%)	NYSE New Highs/New Lows:	366 / 91
NASDAQ Comp:	4128.173 (-1.65%)	AAll Bulls/Bears:	38.1% / 23.8%
Russell 2000:	1144.06 (-2.08%)		

The Dow Jones Industrial Average fell 3.5% last week, marking the largest weekly index decline since 2012. The market responded poorly to weaker-than-expected economic data originating from China. On Thursday, the HSBC January China Manufacturing PMI fell to 49.6, from 50.5 in December. An index reading below 50 suggests there is economic contraction in China's manufacturing sector. This past week marked the second full week of earnings season. While the broad market fell, there were some bright spots for individual companies and the broad domestic economy. Fourth quarter profit at **Union Pacific Railroad** rose 13%, soundly beating analyst expectations. The stock rose 3.3% on Thursday. While reporting a strong fourth quarter that narrowly beat analyst expectations, **Verizon** did not share in the same good fortune. Shares in the wireless network provider fell 1.48% last week. Perhaps last week's biggest winner was **Netflix**. Analysts were expecting an adjusted EPS of \$.66. However, the company blew away expectations posting \$.79 EPS. Shares in Netflix rose nearly 17% last week. Stocks losing significant ground were multilevel marketing companies, **Herbalife** and **NuSkin**. Last week, it was announced that Senator Edward Market of Massachusetts had sent letters to the FTC and SEC expressing concern at the sales practices of Herbalife. Shares in the company fell more than 14%. Also sharing in the pain was Nu Skin, the stock fell another 3.4% last week after it was announced the previous week they were being investigated as a potential pyramid scheme in China. This week, we enter the third busy week of earnings season. Companies reporting earnings include **Caterpillar**, **Apple**, **US Steel**, **Ford**, and **AT&T**.