

US Economy and Credit Markets			
Yields and Weekly Changes:			
3 Mo. T-Bill:	0.02 (+01 bps)	GNMA (30 Yr) 6% Coupon:	112-25/32 (1.32%)
6 Mo. T-Bill:	0.06 (+01 bps)	Duration:	3.62 years
1 Yr. T-Bill:	0.10 (+01 bps)	30-Year Insured Revs:	174.26% of 30 Yr. T-Bond
2 Yr. T-Note:	0.50 (+01 bps)	Bond Buyer 40 Yield:	4.39 (+02 bps)
3 Yr. T-Note:	0.93 (+01 bps)	Crude Oil Futures:	78.47 (-2.07)
5 Yr. T-Note:	1.59 (+02 bps)	Gold Futures:	1,176.60 (+5)
10 Yr. T-Note:	2.30 (-04 bps)	Merrill Lynch High Yield Indices:	
30 Yr. T-Bond:	3.03 (-04 bps)	U.S. High Yield:	6.35% (+04 bps)
		BB:	4.87% (+02 bps)
		B:	6.51% (+05 bps)

Yields fell as the employment data released last week continued showing improvement, but not at the forecasted rate. Jobs are an increasingly important proxy for determining when rates may rise, and slower job growth increases the expectations for the Federal Reserve to keep low rates longer. Oil ended the week flat from Monday, but has been churning lower since June highs. In a busy week for economic reports Monday's October ISM Manufacturing Index increased to 59 from 56.6. Levels greater than 50 signal expansion. On Tuesday, the trade deficit was worse than expected as exports fell by \$3 billion. Petroleum imports continue to fall but consumers purchased more foreign goods. As the Dollar continues to show strength, Americans will have greater purchasing power globally. The October ISM Manufacturing numbers were released Wednesday and showed the service sector index declining to 57.1 from 58.6 in September. Thursday's Preliminary Q3 Non-Farm productivity data reflected a 2% rise vs. 1.5% expectations and up from 1.4% last year. Ending last week, the unemployment rate dropped to 5.8% in October from 5.9% in September as private sector payrolls increased 209,000 in October. While less than was being projected, it was still the 9<sup>th</sup> straight month more than 200,000 jobs being added. Hourly earnings are up 2% vs. a year ago as the jobs market shows continued strength. Major economic reports (and related consensus forecasts) for the upcoming week include: Wednesday: Prior Week MBA Mortgage Applications; Thursday: Prior Week Initial Jobless Claims (280K, +2K) and Continuing Claims (2,340K, -8K); Friday: Preliminary University of Michigan Confidence Survey (87.5, +6).

US Equities			
Weekly Index Performance:		Market Indicators:	
DJIA:	17,573.93 (1.17%)	Strong Sectors:	Consumer Staples, Industrials Utilities
S&P 500:	2,031.92 (0.77%)	Weak Sectors:	Health Care, Consumer Discretionary, Telecom
S&P Midcap:	1,430.07 (0.84%)	NYSE Advance/Decline:	1,798/ 1,451
S&P Smallcap:	679.06 (-0.04%)	NYSE New Highs/New Lows:	540/172
NASDAQ Comp:	4,632.53 (0.12%)	AAll Bulls/Bears:	52.7% / 15.1%
Russell 2000:	1,173.32 (0.01%)		

Stocks continued to rally, with the S&P 500 hitting a new all-time high on Friday, as Republicans won their first majority in the Senate in eight years and unemployment fell to a four year low. Despite the 9<sup>th</sup> straight month of over 200,000 jobs added, wage growth remained stagnant as average hourly earnings for all workers only increased by 2% since October 2013. The U.S. economy continues to remain stronger than its foreign counterparts with the ISM Manufacturing Index increasing to 59 in October, matching the best reading since March 2011, while the European Manufacturing Index final reading stood at only 50.6 for October. Corporate earnings are on pace to have their biggest upside surprise in 4 years as 80% of S&P 500 members have beat earnings expectations to date, with nearly 90% of S&P 500 members reporting. The strong dollar and global growth fears caused 3<sup>rd</sup> quarter estimates to be cut by analysts, but proved to be overly pessimistic. In stock news, **Priceline Group Inc.** shares fell after missing forecasted 4<sup>th</sup> quarter sales due to the strong dollar and macroeconomic headwinds overseas. Despite posting 20% profit growth in parks and strong studio profits, **Walt Disney Co.** shares lost ground after reporting a decline in profits at ESPN on higher content costs. **Fireye Inc.**, a leader in cybersecurity, posted strong billings and revenue growth of 167% versus last year's quarter, but came under pressure as guidance missed expectations. **Whole Foods Market Inc.** topped analyst estimates on strong revenues due to lower produce prices and a higher advertising budget. Looking ahead to next week, the Eurozone's 3<sup>rd</sup> quarter GDP reading will be a key measure of global growth. In addition, a number of retailers are set to announce earnings. **Wal-Mart Stores Inc.**, **Nordstrom Inc.**, **Kohl's** and **Macy's Inc.** are expected to report results.