

US Economy and Credit Markets			
Yields and Weekly Changes:			
3 Mo. T-Bill:	0.02 (unch.)	GNMA (30 Yr) 6% Coupon:	113-03/32 (1.23%)
6 Mo. T-Bill:	0.09 (+01 bps)	Duration:	3.69 years
1 Yr. T-Bill:	0.20 (+05 bps)	30-Year Insured Revs:	189.93% of 30 Yr. T-Bond
2 Yr. T-Note:	0.57 (-06 bps)	Bond Buyer 40 Yield:	4.29 (-05 bps)
3 Yr. T-Note:	1.02 (-04 bps)	Crude Oil Futures:	57.81 (-8.03)
5 Yr. T-Note:	1.68 (-09 bps)	Gold Futures:	1,222.00 (+31.9)
10 Yr. T-Note:	2.13 (-13 bps)	Merrill Lynch High Yield Indices:	
30 Yr. T-Bond:	2.78 (-13 bps)	U.S. High Yield:	7.24% (+47 bps)
		BB:	5.52% (+34 bps)
		B:	7.56% (+53 bps)

Yields continue to defy expectations for going up as the long-end of the yield curve fell. This week's Treasury auctions were strong as continued foreign demand keeps yields low. Oil continued to fall as the EIA released 2015 supply and demand estimates on Friday which reflected sluggish global growth vs. robust supply. While some US firms have reduced 2015 CAPEX budgets, the EIA is anticipating strong supply growth in the face of tepid demand. Wednesday's MBA Mortgage Applications from the prior week were up 7.3% as the Thanksgiving holiday weighed down the prior week applications. On Thursday Retail Sales numbers for November were released and they showed an increase in Retail sales of .7% and the report included a positive 1.1% revision to September and October retail sales. Autos and Building Materials led the increase but excluding Autos, Building Materials and Gas Stations (which have falling sales due to lower prices) the retail numbers including prior revisions were up .8%. Strong demand for the new iPhone supplied a major tailwind to the tech sector, but consumers also spent more on eating out and non-store retailers. Friday's PPI report for November recorded prices falling .2% vs. and expected .1%. Also on Friday, the Michigan Consumer Confidence survey was released and reported a preliminary December reading of 93.8 which was substantially more than the expected 89.5. Major economic reports (and related consensus forecasts) for the upcoming week include: Monday: Empire Manufacturing (12, +1.84) and November Industrial Production (.7%, +.8%); Tuesday: November Housing Starts (1,040K, +31k); Wednesday: December 12 MBA Mortgage Applications, November CPI (-.1%, -.1%) and FOMC Interest Rate Decision (0-.25%, unch); Thursday: December 13 Jobless Claims (295K, +1K) and the November Leading Index (.6%, +.3%).

US Equities			
Weekly Index Performance:		Market Indicators:	
DJIA:	17,280.83 (-3.69%)	Strong Sectors:	Utilities, Consumer Staples, Consumer Discretionary
S&P 500:	2,002.33 (-3.47%)	Weak Sectors:	Energy, Materials, Telecommunication Services
S&P Midcap:	1,402.36 (-2.87%)	NYSE Advance/Decline:	653 / 2,614
S&P Smallcap:	664.20 (-2.67%)	NYSE New Highs/New Lows:	387 / 522
NASDAQ Comp:	4,653.60 (-2.64%)	AAll Bulls/Bears:	45.0% / 22.3%
Russell 2000:	1,152.45 (-2.50%)		

Last week, after seven straight weeks of positive performance, the S&P 500 Index returned its worst one week performance of 2014 with a -3.47% return. With no real US economic data released on Monday, the index was led down -0.71% by energy stocks as they slid -3.90%. Stocks were flat on Tuesday with the index returning -0.02% as sectors were mixed. Energy was the winning sector for the day as it got back a little of the previous day's big loss while Verizon and AT&T warned about shrinking holiday season margins as the S&P 500 Telecommunication Services Index returned -3.21%. Wednesday's -1.63% return was the worst performance of the week for the index. All sectors were under pressure with the energy sector leading the decline again as crude oil closed at \$60.94 a barrel. Thursday brought positive economic data and the only positive day of the week for the S&P 500 Index with a 0.48% return as all sectors were up for the day. November US retail sales advanced 0.7% and US initial jobless claims came in at 294K, which was a slight decrease from the previous week's 297K and the consensus estimate of 297K. The S&P 500 Index slid further on Friday as it returned -1.62%, led by the materials and energy sectors. Crude oil closed at \$57.81 a barrel on Friday, the lowest price since May 15, 2009 when crude was \$56.34 a barrel. Nine of the ten economic sectors had negative performance for the week. The utilities sector was the best performing sector with a 0.18% return. The consumer staples and consumer discretionary sectors followed with -1.98% and -2.17% returns, respectively. The energy sector's -7.98% return was the worst performance of all the sectors and was followed by materials and telecommunication services which returned -6.18% and -5.75%, respectively. **Staples Inc.**, an office supplies, furniture, and technology retailer, turned in the best performance in the S&P 500 Index with a 14.57% gain. The stock jumped 8.67% on Thursday as news broke that Starboard Value purchased a 5.1% stake in the company. Starboard Value has a 9.9% stake in Office Depot Inc. and may push for a merger. The next two best performers were **Diamond Offshore Drilling Inc.** and **Walgreens Co.** with returns of 11.67% and 8.60%, respectively.