

US Economy and Credit Markets			
Yields and Weekly Changes:			
3 Mo. T-Bill:	0.02 (unch.)	GNMA (30 Yr) 6% Coupon:	112-29/32 (1.29%)
6 Mo. T-Bill:	0.07 (-04 bps)	Duration:	3.67 years
2 Yr. T-Note:	0.57 (-10 bps)	Bond Buyer 40 Yield:	4.19 (-06 bps)
3 Yr. T-Note:	0.93 (-13 bps)	Crude Oil Futures:	48.24 (-4.45)
5 Yr. T-Note:	1.43 (-18 bps)	Gold Futures:	1223.00 (+36.8)
10 Yr. T-Note:	1.96 (-15 bps)	Merrill Lynch High Yield Indices:	
30 Yr. T-Bond:	2.54 (-15 bps)	U.S. High Yield:	6.94% (-01 bps)
		BB:	5.19% (-02 bps)
		B:	7.32% (unch.)

The Treasury's 10-year yield dipped below 2% for the first full week of trading in 2015 as global uncertainty and Friday's slow wage growth data supported demand for U.S. Treasuries. Contrary to the beginning of year analyst expectations, 2014 was the best annual Treasury bond performance in three years. The Federal Reserve remitted \$98.7 billion in profits to the Treasury in 2014 reflecting higher interest earnings and its larger, \$4 Trillion balance sheet. Crude oil continued to languish below \$50/barrel and as supply continues to outstrip demand the odds of a quick rally in the price of Crude Oil become increasingly long. The Trade Balance was reported on Wednesday and while exports fell, imports fell more and the balance was -\$39B vs. an expected November imbalance of -\$42B. Friday saw a rash of important reports which were received with mixed feelings but ultimately the Hourly Earnings decreasing caused sentiment to turn negative. Friday's December Change in Nonfarm Payrolls was positive with 252K added to payrolls vs. and anticipated 240K. The unemployment rate came in at 5.6% vs. an expected 5.7%, the underemployment Rate was 11.2% and the labor force participation rate was 62.7%. While these were all positive, markets were surprised to see wages fall as hourly earnings MoM were down .2% vs an expected rise of 2% and the hourly earnings YoY were up 1.7% vs. an expected increase of 2.2%. Change in Major economic reports (and related consensus forecasts) for the upcoming week include: Wednesday: Prior Week MBA Mortgage Applications and December Retail Sales Advance MoM (-.1%); Thursday: PPI Final December Demand MoM (-.4%) and Prior Week Initial Jobless Claims (292K, -2K); Friday: December CPI MoM (-.4%, -.1%) and December Industrial Production MoM (0%, -1.3%).

US Equities			
Weekly Index Performance:		Market Indicators:	
DJIA:	17,737.37 (-0.49%)	Strong Sectors:	Health Care, Cons Staples, Telecommunication Services
S&P 500:	2,044.81 (-0.61%)	Weak Sectors:	Energy, Financials, Industrials
S&P Midcap:	1,441.28 (-0.68%)	NYSE Advance/Decline:	1,512 / 1,748
S&P Smallcap:	680.74 (-1.36%)	NYSE New Highs/New Lows:	413 / 202
NASDAQ Comp:	4,704.07 (-0.47%)	AAll Bulls/Bears:	41.0% / 27.7%
Russell 2000:	1,185.68 (-1.09%)		

Last week, the S&P 500 Index returned -0.61% for its first full trading week in 2015. Energy led the way down on Monday as all ten sectors had negative performance and the S&P 500 index returned -1.82%. The S&P 500 Energy Index returned -3.99% as oil prices continued to slide and briefly broke the \$50 per barrel level. The decline continued on Tuesday with a -0.89% return in the index. Crude oil dropped further and closed at \$47.93 a barrel, the lowest price since \$46.51 on April 21, 2009. Economic news showed lower than expected December factory orders and ISM Service Index. Better than expected employment data was released on Wednesday from ADP's private payrolls December report. The S&P 500 Index returned 1.19%, the first positive performance for the year with all but one sector in positive territory. Thursday gave the index a boost with a 1.79% return as all sectors were up for the day. US initial jobless claims came in at 294K, which was a decrease from the previous week's 298K but higher than the consensus estimate of 290K. The S&P 500 Index declined on Friday as it returned -0.84% with all sectors performing poorly. Crude oil stayed below \$50 a barrel and closed the week at \$48.36. Eight of the ten economic sectors had negative performance for the week. The health care sector was the best performing sector with a 2.29% return. The consumer staples and telecommunication services sectors followed with 1.67% and -0.01% returns, respectively. The energy sector's -3.60% return was the worst performance of all the sectors and was followed by financials and industrials which returned -2.41% and -2.02%, respectively. **Boston Scientific Corp.**, a medical device developer and manufacturer, turned in the best performance in the S&P 500 Index with a 10.82% gain. The next two best performers were **Constellation Brands Inc.** and **Merck & Co., Inc.** with returns of 10.09% and 9.39%, respectively. This week will bring earnings news from **Wells Fargo & Co.**, **JPMorgan Chase & Co.**, **Bank of America Corp.**, **Intel Corp.**, **Citigroup Inc.**, **Schlumberger Ltd.** and many others.