

US Economy and Credit Markets			
Yields and Weekly Changes:			
3 Mo. T-Bill:	0.12 (+04 bps)	GNMA (30 Yr) 6% Coupon:	113-27/32 (1.72%)
6 Mo. T-Bill:	0.29 (-02 bps)	Duration:	3.91 years
1 Yr. T-Bill:	0.48 (+04 bps)	Bond Buyer 40 Yield:	4.36 (-0.02)
2 Yr. T-Note:	0.84 (-05 bps)	Crude Oil Futures:	40.74 (-3.55)
3 Yr. T-Note:	1.18 (-04 bps)	Gold Futures:	1083.20 (-4.50)
5 Yr. T-Note:	1.65 (-08 bps)	Merrill Lynch High Yield Indices:	
10 Yr. T-Note:	2.27 (-06 bps)	U.S. High Yield:	8.17% (+32bps)
30 Yr. T-Bond:	3.05 (-03 bps)	BB:	5.98% (+26 bps)
		B:	8.33% (+33 bps)

By the end of last week yields had generally fallen due to weak retail prices. Even with the weak retail prices and PPI data from last week, the current implied probability of a rate increase at the December 16 Federal Reserve meeting still stands at 64% according to futures contracts. Futures contracts are pricing in a ~82% chance of an interest rate increase by March of next year. The probabilities are up from a 35% chance for a 2015 hike as recently as October 27, the day before the October Federal Reserve meeting. Baker Hughes released the latest RIG counts last week and rigs dedicated to finding oil rose by 2, to 574, while rigs targeting natural gas fell by 6, to 193. Only the Eagle Ford field in the U.S. added rigs. Last Friday had two major economic reports when the October Producer Price Index and Retail Sales numbers were released. The PPI dropped .4% in October and was below consensus expectations of a .2% gain. Year over year producer prices are down 1.7% and from the prior year prices for goods are off 5% while services are basically flat (up .1%). These numbers do not indicate any strong signs of inflation in the current economic environment. Also on Friday was the October Retail Sales report which registered an increase of .1% vs expectations of .3%. Many continue to expect low gas prices to provide a bump to retail spending; but it has not happened. Major economic reports (and related consensus forecasts) for the upcoming week include: Monday: November Empire Manufacturing (-6, +5.36); Tuesday: October CPI (.2%, +.04%) and Industrial Production (.1%, +.3%); Wednesday: November 13 MBA Mortgage Applications and October Housing Starts; Thursday: Prior Week Initial Jobless Claims (271K, -5K) and the Leading Index (.5%, +.7%).

US Equities			
Weekly Index Performance:		Market Indicators:	
DJIA:	17,245.24(-3.64%)	Strong Sectors:	Utilities, Materials, Industrials
S&P 500:	2,023.04 (-3.56%)	Weak Sectors:	Info. Tech., Energy, Cons. Discretionary
S&P Midcap:	1,406.06 (-3.87%)	NYSE Advance/Decline:	654 / 2,578
S&P Smallcap:	675.85 (-4.55%)	NYSE New Highs/New Lows:	118 / 328
NASDAQ Comp:	4,927.88 (-4.22%)	AAll Bulls/Bears:	34.3% / 23.0%
Russell 2000:	1,146.55 (-4.40%)		

Equity markets were down over 3.5% for the week as participants grumbled over increasing odds of a Federal Reserve rate hike. Fed funds futures are now pricing in a 64% chance of a rate hike in December, up from ~50% to start the month. In addition, market expectations seemly have begun to price several rate hikes into 2016, as the reality of higher rates gains more clarity. Quarterly earnings season is winding down, with a late rush of retail stores announcing disappointing results. **Macy's Inc.** fell nearly 14%, its worst day in nearly six years, as the department store cut profit and revenue projections. **Nordstrom Inc.** fell 15% on Friday as profit and revenues significantly missed analysts' expectations and the company slashed 2016 guidance. Shares in **J.C. Penny Co.** fell over 15% as they signaled sales growth during the holiday season may slow compared to their 3Q pace. **Kohl's Corp.** announced earnings and revenue ahead of analyst estimates and rallied 6% on Thursday. However, other retail announcements weighted heavily on Kohl's shareholders as the company was down over 8% for the week and hit a 52 week low on Friday. **The Priceline Group Inc.** fell nearly 10% after they announced disappointing profit forecasts because of a strong dollar and a drop in U.S. bookings. **Cisco Systems Inc.** fell nearly 6% as the company announced earnings and revenue in line with expectations but disappointing revenue forecasts. In positive news, **Applied Materials Inc.** announced earnings that were ahead of estimates and better than expected guidance for next quarter. Specialty pharmaceutical company **Mallinckrodt PLC** sank as much 26% this week on as Citron Research distributed news that stated Mallinckrodt was a "far worse offender" in taking advantage of the drug reimbursement system than **Valeant Pharmaceuticals**. Despite disappointing market returns this week, we still maintain a positive outlook on equities. Returns in the short-run may be volatile in anticipation of Fed actions. However, in the long-term any rate hike means the Fed believes strongly in the strength in the U.S. economy, and that is positive for the outlook on equities.