US Economy and Credit Markets

3 Mo. T-Bill:	0.22 (+05 bps)	GNMA (30 Yr) 6% Coupon:	112-18/32 (2.15%)
6 Mo. T-Bill:	0.47 (+08 bps)	Duration:	3.90 years
1 Yr. T-Bill:	0.57 (+09 bps)	Bond Buyer 40 Yield:	4.26 (-0.03)
2 Yr. T-Note:	0.94 (+01 bps)	Crude Oil Futures:	39.97 (-1.74)
3 Yr. T-Note:	1.24 (+02 bps)	Gold Futures:	1084.50 (+28.30)
5 Yr. T-Note:	1.71 (+06 bps)	Merrill Lynch High Yield Indices:	
10 Yr. T-Note:	2.27 (+06 bps)	U.S. High Yield:	8.32% (+07 bps)
30 Yr. T-Bond:	3.01 (+04 bps)	BB:	6.03% (+03 bps)
		B:	8.32% (-12 bps)

Yields were up across the curve as the Friday November Non-Farm Payroll report was strong and increased investor conviction that a rate increase will occur in December. The Euro and bond yields leapt Thursday as the European Central Bank (ECB) eased as expected; but less aggressively than anticipated. This contributed to a sell-off in risk assets on Thursday. Oil had a very volatile week ahead of next week's OPEC meeting as inventories remain high but the market deals with the discussion of potential production cuts from OPEC members. Tuesday's November ISM Manufacturing Index report crept in under 50, at 48.6, (Levels higher than 50 signal expansion; levels below 50 signal contraction.) which was well below consensus expectations of 50.5. Negatively impacting the report were low energy prices which have contributed to overall lower prices, retail working through excess inventories and weak manufacturing. The highlight is that the manufacturing employment index was 51.3 and up from 47.6. Thursday's nonfarm productivity report measured output increasing 2.2% on an annual basis and real (inflation-adjusted) compensation was up 2.4% on an annual basis. Thursday, the November ISM Non-Manufacturing Index fell but remained above 50 at 55.9. Non-Manufacturing activities make up a majority of the US economy and continued strength in this sector will support the Federal Reserve's decision to potentially raise rates later this month. Major economic reports (and related consensus forecasts) for the upcoming week include: Wednesday: December 4 MBA Mortgage Applications and October Wholesale Inventories (.1%, -.4%); Thursday: December 5 Initial Jobless Claims; Friday: November Retail Sales (.3%, +.2%), November PPI Demand (-1.4%, +.2%) and December Preliminary University of Michigan Consumer Sentiment (91.7, +.4).

US Equities

Weekly Index Performance:			Market Indicators:	
DJIA:	17,847.63	(+0.36%)	Strong Sectors:	Info Tech, Telecom, Cons Staples
S&P 500:	2,091.69	(+0.12%)		
S&P Midcap:	1,449.08	(-1.32%)	Weak Sectors:	Energy, Industrials, Utilities
S&P Smallcap:	700.33	(-1.27%)		
NASDAQ Comp:	5,142.27	(+0.30%)	NYSE Advance/Decline:	1,122/ 2,099
Russell 2000:	1,183.40	(-1.56%)	NYSE New Highs/New Lows:	191/ 267
			AAII Bulls/Bears:	29.5% / 21.2%

Equity markets ended a see-saw week mixed as investors grappled with whether the economy is resilient enough to endure higher interest rates. Another strong monthly jobs report on Friday, with 211,000 jobs added in November, increased the likelihood the Federal Reserve will increase interest rates for the first time in nearly a decade. The labor market remains resilient despite a slowing global economy, a higher dollar, lower commodity demand and weakening manufacturing data. NYMEX crude oil briefly dropped below $40 a barrel after OPEC decided to maintain their output of 31.5 million barrels a day to protect market share. The ISM manufacturing index posted its worst reading since 2009 due to elevated inventory levels, which led customers to order fewer goods. In stock news, **QUALCOMM Inc.** gained 7.8% for the week after agreeing to a patent license with Chinese phone manufacturer **Xiaomi Corp.** Heavy truck manufacturers, **Paccar Inc.** and **Cummins Inc.**, fell after ACT released disappointing Class 8 truck sales figures for November. Despite beating earnings estimates, **PVH Corp.** fell on a reduced sales forecast due to a strong dollar and inventory overhang concerns. **G-III Apparel Group** gained nearly 10% for the week despite reducing full-year guidance as warmer weather reduced demand for outerwear. Looking ahead, investors have the December 16th FOMC rate decision circled on their calendar. Fed futures currently imply a 76% chance that rates move higher.