

| US Economy and Credit Markets |                |                                   |                   |
|-------------------------------|----------------|-----------------------------------|-------------------|
| Yields and Weekly Changes:    |                |                                   |                   |
| 3 Mo. T-Bill:                 | 0.30 (+07 bps) | GNMA (30 Yr) 6% Coupon:           | 112-16/32 (2.16%) |
| 6 Mo. T-Bill:                 | 0.36 (+04 bps) | Duration:                         | 3.81 years        |
| 1 Yr. T-Bill:                 | 0.46 (-01 bps) | Bond Buyer 40 Yield:              | 4.16 (+02 bps)    |
| 2 Yr. T-Note:                 | 0.87 (+02 bps) | Crude Oil Futures:                | 32.19 (+2.77)     |
| 3 Yr. T-Note:                 | 1.10 (+02 bps) | Gold Futures:                     | 1096.30 (+5.60)   |
| 5 Yr. T-Note:                 | 1.47 (+02 bps) | Merrill Lynch High Yield Indices: |                   |
| 10 Yr. T-Note:                | 2.05 (+02 bps) | U.S. High Yield:                  | 9.53 % (-01 bps)  |
| 30 Yr. T-Bond:                | 2.82 (+01 bps) | BB:                               | 6.74 % (-04 bps)  |
|                               |                | B:                                | 9.79 % (+01 bps)  |

Treasury yields rose despite early declines last week, rebounding as the ECB president hinted of potential monetary stimulus as early as March. U.S. oil prices closed at the lowest level since 2003 on Tuesday, offsetting early bond price declines and increasing demand for haven assets. The deepening slump in oil prices has furthermore added to concerns that global growth could be stuck in an elongated period of slow growth and low inflation. On Wednesday, new home constructions unexpectedly fell for the month of December, as builders have been cautious to increase spending in case of an economic downturn. Investor sentiment in global markets improved on Thursday after European Central Bank, Mario Draghi, signaled a potential new stimulus from the March policy meeting to calm market turmoil, which helped oil and equity markets rebound. On Friday, purchases of previously owned homes rose more than expectations for December. The increase in sales can be attributed to industry adjustments to new mortgage regulations which delayed closings the previous month. Major economic reports (and related consensus forecasts) for the upcoming week include: Tuesday: January Consumer Confidence Index (96.5); Wednesday: January 22<sup>nd</sup> MBA Mortgage Applications, December New Home Sales (500k), January FOMC Rate Decision (Upper Bound) (0.50%); Thursday: January 23<sup>rd</sup> Initial Jobless Claims (281k), December Durable Goods Orders (-0.5%); Friday: 4Q GDP Annualized (0.8% QoQ), January Chicago Purchasing Manager (45.9), January University of Michigan Sentiment (93.0).

| US Equities               |                   |                          |                         |
|---------------------------|-------------------|--------------------------|-------------------------|
| Weekly Index Performance: |                   | Market Indicators:       |                         |
| DJIA:                     | 16,093.51 (0.69%) | Strong Sectors:          | Telecom Services,       |
| S&P 500:                  | 1,906.90 (1.43%)  |                          | Cons Disc, Info Tech    |
| S&P Midcap:               | 1,287.77 (1.43%)  | Weak Sectors:            | Financials, Industrials |
| S&P Smallcap:             | 614.97 (1.05%)    |                          | Materials               |
| NASDAQ Comp:              | 4,591.18 (2.29%)  | NYSE Advance/Decline:    | 1,888 / 1,299           |
| Russell 2000:             | 1,020.66 (1.29%)  | NYSE New Highs/New Lows: | 26 / 1,451              |
|                           |                   | AAII Bulls/Bears:        | 21.5% / 48.7%           |

Though hitting a 2016 closing low of 1,859.33 on Wednesday, the S&P 500 index rallied last week returning 1.43%. With the first two weeks in January showing negative performance, the index is down 6.61% for 2016. The US equity markets were closed on Monday in observation of Martin Luther King Jr. Day. Trading resumed on Tuesday with stocks opening higher, but then slid most of the day with energy and materials leading the fall. The S&P 500 index was able to rally back late to close flat with a gain of 5 basis points. By mid-day Wednesday, the S&P 500 index had drop over 350 basis points from the previous day's close following weakness in European markets, oil prices and lower than expected housing starts data. Equities pared losses into the close showing a -1.15% return for the day. Thursday opened higher and brought some relief as stocks returned 0.52% with energy and telecommunications services stocks leading the increase. The day also brought positive comments from European Central Bank president Mario Draghi of possible further stimulus. Disappointing US initial jobless claims of 293K were higher than the consensus estimate of 278K and higher than the previous week's 284K. This is the highest number since the week ending July 3. Friday brought the best performance of 2016 returning 2.03%. US equities climbed early with Asian and European markets also pushing higher for the day. Positive economic data was released with existing home sales higher than expected and US manufacturing PMI showing higher than expected. Crude oil closed the week at \$32.19 a barrel, an increase of 9.42% from the previous week's close. Eight of the ten economic sectors had positive performance for the week. The telecommunication services sector was the best performing sector with a 4.38% return. The consumer discretionary and information technology sectors followed with 2.52% and 2.42% returns, respectively. The financials sector's -0.52% return was the worst performance of all the sectors and was followed by industrials and materials which returned -0.04% and 0.73%, respectively. **Southwestern Energy Company**, an independent E&P energy company focused on natural gas and crude oil, turned in the best performance in the S&P 500 Index with a 30.90% gain. The stock price increased this week with the layoff announcement of nearly 40% of its workforce. The next two best performers were **CONSOL Energy Inc.** and **The Williams Companies, Inc.** with returns of 23.45% and 22.61%, respectively.