US Economy and Credit Markets

3 Mo. T-Bill:	0.17 (-03 bps)	GNMA (30 Yr) 6% Coupon:	113-01/32 (2.01%)
6 Mo. T-Bill:	0.48 (unch.)	Duration:	3.90 years
1 Yr. T-Bill:	0.60 (-02 bps)	Bond Buyer 40 Yield:	4.21 (-01 bps)
2 Yr. T-Note:	1.05 (+05 bps)	Crude Oil Futures:	37.09 (-1.01)
3 Yr. T-Note:	1.31 (-01 bps)	Gold Futures:	1060.00 (-17.20)
5 Yr. T-Note:	1.76 (+05 bps)	Merrill Lynch High Yield Indices:	
10 Yr. T-Note:	2.27 (+03 bps)	U.S. High Yield:	8.90% (-05 bps)
30 Yr. T-Bond:	3.02 (+06 bps)	BB:	6.27% (-26 bps)
		B:	9.07% (+13 bps)

2015 closed the year with treasury yields being up for both the prior week and year. In December of 2015 the Federal Reserve increased the short-term interest rate for the first time since lowering it during the great recession and it was the first increase in the rate since 2006. For 2016, the current implied probabilities, based upon future contracts, are pricing in a 93.4% chance of at least one more increase and the highest probability (at 32.3%) is for the fund rates closing 2016 between .75% and 1%. 2015 was hard for oil as it declined for the year and has been declining since June of 2014. A strong dollar combined with elevated supply has contributed to its descent. The Brent-WTI spread disappeared in 2015 and the convergence of the now-defunct pricing spread was capped by congressional leaders agreeing to lift the 40-year ban on oil exports. Gold fell for 2015 and has now posted three consecutive annual losses. Last week's Tuesday December Consumer Confidence Index numbers surprised as confidence registered 96.5 and was ahead of consensus expectations. Friday's prior week jobless claims report disappointed and showed an increase in excess of expectations. Major economic reports (and related consensus forecasts) for the upcoming week include: Monday: December Markit US Manufacturing PMI (51.1, -.2) and ISM Manufacturing Index (49, +.4); Wednesday: December ADP Employment Change (+198K), US Trade Balance ($-44B,$ -.12B) and the release of US Dec. 15-16 FOMC Meeting notes; Thursday: Prior week Initial Jobless Claims; Friday: December Unemployment Rate (5%, unch.), December Change in Non-Farm Payrolls (+200K) and November MoM Wholesale Inventories (-.1%, unch.)

US Equities

Weekly Index Performance:			Market Indicators:	
DJIA:	17,425.03	(-0.72%)	Strong Sectors:	Consumer Discretionary, Utilities, Health Care
S&P 500:	2,043.94	(-0.80%)		
S&P Midcap:	1,398.58	(-1.19%)	Weak Sectors:	Energy, Materials, Telecom
S&P Smallcap:	671.74	(-1.64%)		
NASDAQ Comp:	5,007.41	(-0.79%)	NYSE Advance/Decline:	1,128/ 2,090
Russell 2000:	1,135.89	(-1.57%)	NYSE New Highs/New Lows:	150/ 93
			AAII Bulls/Bears:	25.1% / 23.6%

Equity markets ended the last trading week of the year lower as energy and commodity exposed shares lost ground. Fittingly, energy and materials, the two most unloved sectors of 2015, could not build off last week's rally and were once again the two worst performing sectors. The price of oil fell after Iran's oil minister reiterated the country's goal of increasing exports to pre-sanction levels. In addition, crude stockpiles unexpectedly increased last week. In economic news, both the October S&P/ Case-Shiller home price index and December consumer confidence number beat consensus expectations. However, the Chicago PMI plummeted to 42.9 from 48.7 in November, its lowest reading since 2009. Readings above 50 point to expansion, while below 50 signal contraction. Turning to corporate news, **Valeant Pharmaceuticals Intl.** announced that Chief Executive Officer Michael Pearson would be taking a leave of absence due to a severe case of pneumonia. The embattled drug company shares fell over 10% for the week after announcing the news. **Chimerix Inc.** plunged 81.4% on Monday following disappointing results of its phase III antiviral drug. **Qualcomm Inc.** gained after announcing patent licensing agreements with two more Chinese mobile device makers. **Weight Watchers Intl.** shares jumped after the company launched a new advertising campaign featuring Oprah Winfrey. Despite a relatively flat year in the equity markets, volatility returned in 2015 and will likely continue into the new year as global growth remains uncertain and the Fed's future policy moves will remain at center stage.