

US Economy and Credit Markets			
Yields and Weekly Changes:			
3 Mo. T-Bill:	0.33 (+04 bps)	GNMA (30 Yr.) 6% Coupon:	114-12/32 (0.75%)
6 Mo. T-Bill:	0.46 (+02 bps)	Duration:	3.96 years
1 Yr. T-Bill:	0.64 (-01 bps)	Bond Buyer 40 Yield:	3.94 (unch.)
2 Yr. T-Note:	0.82 (-01 bps)	Crude Oil Futures:	50.85 (+.50)
3 Yr. T-Note:	0.98 (-02 bps)	Gold Spot:	1,265.90 (+12.80)
5 Yr. T-Note:	1.24 (-04 bps)	Merrill Lynch High Yield Indices:	
10 Yr. T-Note:	1.74 (-06 bps)	U.S. High Yield:	6.36% (-09 bps)
30 Yr. T-Bond:	2.49 (-07 bps)	BB:	4.75% (-08 bps)
		B:	6.39% (-13 bps)

The yield curve flattened last week as the short-end of the curve was bid up amid increasing expectations of an interest rate increase occurring in December of this year. Generally, a flattening yield curve is viewed as indicative of weaker economic conditions. The yield curve has been broadly flattening since the end of 2013 but has sharply steepened since the end of August. Monday's Industrial Production reading registered a 0.1% increase in September which was in-line with expectations. This represents a reading 1% lower on a year-over-year (y-o-y) basis as commodity weakness has negatively impacted production figures. Tuesday saw the Consumer Price Index increase 0.3% in September, in-line with expectations, and increase 1.5% on a y-o-y basis. Higher energy prices were the primary driver behind the increase. The "core" CPI (excludes food and energy) is up 2.2% y-o-y and increased 0.1% in September. September housing starts were reported last Wednesday and saw a decline of 9% from the prior month and a decline of 11.9% versus the prior year. These were below expectations and were driven by a drop in multi-family starts as single-family starts actually increased over the period. Following this, on Thursday, existing home sales rose 3.2% in September driven by improving first-time home buyer demand. Major economic reports (and related consensus forecasts) for the upcoming week include: Tuesday: October Consumer Confidence Index (101, -3.1); Tuesday: Prior week MBA Mortgage Applications and September New Home Sales (600K, -9K); Wednesday: Prior week Initial Jobless Claims (255K, -5K); Thursday: 3Q GDP Annualized QoQ (2.5%, +1.1%) and October University of Michigan Sentiment (88.2, +3).

US Equities			
Weekly Index Performance:		Market Indicators:	
DJIA:	18145.71 (0.09%)	Strong Sectors:	Materials, Financials,
S&P 500:	2141.16 (0.41%)		Consumer Discretionary
S&P Midcap:	1526.76 (0.47%)	Weak Sectors:	Industrials, Info. Tech.
S&P Smallcap:	733.89 (-0.36%)		Telecom
NASDAQ Comp:	5257.40 (0.83%)	NYSE Advance/Decline:	1,968 / 1,151
Russell 2000:	1218.10 (0.48%)	NYSE New Highs/New Lows:	185 / 70
		AAll Bulls/Bears:	23.71% / 37.8%

Equity markets traded up slightly last week amid a flurry of corporate earnings announcements, economic news and significant mergers and acquisitions stories. The S&P 500 traded down to start the week as investors had a mild risk-off appetite ahead of significant earnings releases. **Netflix Inc.** shares jumped over 19% after they announced their quarterly results. The main reason driving the rally was 1.45m new domestic subscribers, significantly beating the 1.0m analysts had estimated for the quarter. They also stated that their content spend would be increasing for a 'long time'. **General Electric Co.** reported earnings and revenue roughly in line with market expectations. However, they stated that the continued low level of global growth along with poor continuing results from their oil division could continue to mute operating results for the company. There were several company combinations that were reported as well. This weekend brought us official news that **AT&T Inc.** agreed to acquire **Time Warner Inc.** Though this combination faces significant antitrust headwinds, if this move gets approved it would be valued around \$107b and expected to close in the 4<sup>th</sup> quarter of 2017. The mega merger would combine AT&T's Baby Bell's (Ameritech, BellSouth, Pacific Telesis, and Southwestern Bell), along with AT&T Wireless and DirectTV, with Time Warner's, Turner Broadcasting (TBS, TNT, CNN and other TV channels), HBO and Warner Brothers. The combined company would likely have a market cap around \$300b and be one of the largest five publically traded companies. **British American Tobacco PLC** agreed to acquire **Reynolds American Inc.** for cash and shares. The deal is be valued at \$58b and would create the world's largest tobacco company if regulators allow the transaction to go through. Looking ahead to next week, earnings season will continue with **Visa Inc.**, **3M Co.**, **Apple Inc.**, **Amazon.com Inc.**, **Google Inc.**, **Merck & Co Inc.** and **Procter & Gamble Co.** among those expected to report quarterly results.