

US Economy and Credit Markets			
Yields and Weekly Changes:			
3 Mo. T-Bill:	0.49 (-04 bps)	GNMA (30 Yr) 6% Coupon:	113-18/32 (1.25%)
6 Mo. T-Bill:	0.64 (+01 bps)	Duration:	4.17 years
1 Yr. T-Bill:	0.88 (+04 bps)	Bond Buyer 40 Yield:	4.38 (+09 bps)
2 Yr. T-Note:	1.25 (+12 bps)	Crude Oil Futures:	51.90 (+0.40)
3 Yr. T-Note:	1.60 (+17 bps)	Gold Spot:	1,134.88 (-24.98)
5 Yr. T-Note:	2.07 (+18 bps)	Merrill Lynch High Yield Indices:	
10 Yr. T-Note:	2.59 (+12 bps)	U.S. High Yield:	6.57% (+02 bps)
30 Yr. T-Bond:	3.17 (+02 bps)	BB:	5.04% (+06 bps)
		B:	6.53% (+03 bps)

Treasury prices dropped significantly over the course of the week as the Federal Reserve initiated the first rate hike since last December and second since 2006. Treasuries dropped on Monday and Tuesday with expectations that the Fed may be more aggressive on interest rates and on rising crude oil prices. On Wednesday the Fed announced that it would raise the Federal Funds Target Rate upper bound from 0.50 to 0.75. The rate hike was widely expected as the market implied probability of a rate hike was 100%. However, Treasury prices still dropped moderately after the announcement on Wednesday as the Fed increased the number of expected rate hikes in 2017 from two to three. Though many expected more optimistic comments on the future of the economy from the Fed due to President-Elect Donald Trump's policies, the comments were neutral with the views of the members being mixed. Treasury prices were little changed to close out the week on Thursday and Friday while crude oil dropped from a high on Tuesday to end the week flat. Major economic reports (and related consensus forecasts) for the upcoming week include: Monday: December Preliminary Markit US Services PMI (55.2); Wednesday: December 16 MBA Mortgage Applications, November Existing Home Sales (-1.8% MoM); Thursday: 3Q Annualized GDP (3.3%), 3Q GDP Price Index (1.4%), 3Q Personal Consumption (2.8%), November Preliminary Durable Goods Orders (-4.0%), December 17th Initial Jobless Claims (259,000), November Personal Income (0.3%), November Personal Spending (0.3%), November Leading Index (0.2%); Friday: November New Home Sales (2.1% MoM), December Final U. Of Michigan Sentiment (98.0).

US Equities			
Weekly Index Performance:		Market Indicators:	
DJIA:	19,843.41 (0.45%)	Strong Sectors:	Telecomm, Utilities
S&P 500:	2,258.07 (-0.03%)		Health Care
S&P Midcap:	1,667.73 (-1.43%)	Weak Sectors:	Industrials, Materials,
S&P Smallcap:	842.04 (-1.77%)		Consumer Discretionary
NASDAQ Comp:	5,437.16 (-0.11%)	NYSE Advance/Decline:	1,045 / 2,063
Russell 2000:	1,364.40 (-1.67%)	NYSE New Highs/New Lows:	475 / 182
		AAII Bulls/Bears:	44.7% / 32.3%

U.S. stocks had a bumpy week, but the S&P 500 ultimately closed slightly down with a -0.03% return. The index has returned 12.84% since the beginning of the year. The S&P 500 hit an all-time high on Tuesday, but the uneven trading pattern of stocks matched the news cycle, as the Fed announced the first interest rate increase since last December on Wednesday. Crude oil continued to climb in December, topping out at \$52.98 on Tuesday. Investors' risk appetite is beginning to dwindle, as the dollar soared and defensive stocks continued to rise. Some of the cautious moves are a reaction to the hawkish Federal Reserve and the uncertainty about Janet Yellen's statements on the state of the job market slated for next week. The Chinese yuan fell to a new low against the dollar after mounting tensions between the U.S. and China came to a head when a Chinese Navy warship seized a U.S. underwater drone in international waters of the South China Sea. **NVIDIA Corp.**, a graphics processor manufacturer, turned in the best performance in the S&P 500 Index with a 9.36% gain. The company moved to an all-time high after nearly tripling YTD. The next two best performers were **Eli Lilly** and **Illumina Inc.** with returns of 8.05% and 6.34%, respectively.