

US Economy and Credit Markets			
Yields and Weekly Changes:			
3 Mo. T-Bill:	0.51 (+01 bps)	GNMA (30 Yr) 6% Coupon:	113-16/32 (1.71%)
6 Mo. T-Bill:	0.61 (-01 bps)	Duration:	4.19 years
1 Yr. T-Bill:	0.83 (+02 bps)	Bond Buyer 40 Yield:	4.23 (-02 bps)
2 Yr. T-Note:	1.21 (+02 bps)	Crude Oil Futures:	53.99 (+0.27)
3 Yr. T-Note:	1.48 (+03 bps)	Gold Spot:	1173.40 (+21.7)
5 Yr. T-Note:	1.92 (-01 bps)	Merrill Lynch High Yield Indices:	
10 Yr. T-Note:	2.42 (-03 bps)	U.S. High Yield:	6.29% (-19 bps)
30 Yr. T-Bond:	3.00 (-06 bps)	BB:	4.85% (-13 bps)
		B:	6.25% (-19 bps)

The yield curve flattened last week as markets continued to digest a rate increase and the Federal Reserve's intention to increase rates slowly through 2017. Economic data remains strong and equity markets seem to be anticipating increased acceleration of the U.S. economy. Tuesday's ISM December Manufacturing Index reading exceeded expectations and came in at 54.7 for the month (Levels higher than 50 signal expansion; levels below 50 signal contraction.). This represented the highest reading in two years and fourth consecutive month of increase. Thursday's Non-Manufacturing Index reading for the month of December was unchanged at 57.2, however, but as this is still well above 50, it is indicative of improving sentiment. Taken together, both the ISM manufacturing and non-manufacturing readings signal expansion as we enter 2017. The December payroll numbers for December were released on Friday and underwhelmed relative to expectations and the unemployment rate picked up to 4.7% from 4.6% in the prior month. On Friday the trade deficit was smaller than expected but this followed November's deficit which was a nine-month high as the stronger dollar is making foreign goods cheaper for U.S. consumers and U.S. made goods more expensive for foreign buyers. Major economic reports (and related consensus forecasts) for the upcoming week include: Tuesday: November Final Wholesale Inventories (.9%, unch); Wednesday: Prior week MBA Mortgage Applications; Thursday: Prior week Initial Jobless Claims (255K, +20K); Friday: December Final PPI Demand (.3%, -.1%), December Retail Sales (.6%, +.5%) and January preliminary University of Michigan Sentiment (98.5, +.3).

US Equities			
Weekly Index Performance:		Market Indicators:	
DJIA:	19,963.80 (1.07%)	Strong Sectors:	Health Care, Information Tech, Consumer Discretionary
S&P 500:	2,276.98 (1.76%)	Weak Sectors:	Telecom Services, Utilities, Energy
S&P Midcap:	1,682.07 (1.30%)	NYSE Advance/Decline:	2,369 / 724
S&P Smallcap:	840.17 (0.28%)	NYSE New Highs/New Lows:	360 / 27
NASDAQ Comp:	5,521.06 (2.58%)	AAll Bulls/Bears:	46.2% / 25.2%
Russell 2000:	1,367.28 (0.76%)		

Last week the S&P 500 Index returned 1.76% in 2017's first week of trading. In observance of the New Year's holiday, the trading week was shortened to four days with advances coming everyday excluding Thursday. Equities opened higher the first day of trading with technology and health care sectors leading the way. Stocks reflected investors' expectations for the new year with economic data showing positive affirmation. The ISM Manufacturing Index came in at 54.7, showing the highest level since November 2014. Construction spending for the month also increased higher than expected. The release of the Federal Open Market Committee minutes from the December meeting also increased optimism with comments on a strengthened labor market, economic expansion and an accommodative monetary policy. US initial jobless claims of 235K were well below the consensus estimate of 260K and the previous week's 265K. Though nonfarm payrolls came in lower than expected, the previous month's level was revised upward showing a strong employment picture as the US unemployment rate remained low at 4.7%. Crude oil closed the week at \$53.99 a barrel, advancing 0.50% from the previous week's close. Ten of the eleven economic sectors had positive performance for the week with the health care sector showing the best performance returning 2.96%. **Alexion Pharmaceuticals Inc.**, an autoimmune and cardiovascular disease biopharmaceutical company, contributed to the sector with a 17.38% return for the week. The stock jumped after the company announced that no restatements were needed to their previously issued financials due to a probe into sales practices of their Soliris drug. **Amgen Inc.**, a biotechnology medicines company, also helped the sector after it won a court ruling blocking the sale of a competing cholesterol lowering drug in the US. The information technology company **Xerox Corp.** had the best performance in the S&P 500 Index for the week with a 21.91% return. The company's completion of the **Conduent Inc.** spin-off was well received with both JPMorgan and Credit Suisse upgrading their rating of **XXR**. This week will bring earnings news from **Bank of America Corp.**, **JPMorgan Chase & Co.**, **Wells Fargo & Co.** and others.