US Economy and Credit Markets

Yields and Weekly Changes:

3 Mo. T-Bill:	1.505 (-6.2 bps)	GNMA (30 Yr) 6% Coupon:	110-08/32 (2.76%)
6 Mo. T-Bill:	1.536 (-6.5 bps)	Duration:	3.78 years
1 Yr. T-Bill:	1.545 (-4.1 bps)	Bond Buyer 40 Yield:	3.62 (unch)
2 Yr. T-Note:	1.615 (0.3 bps)	Crude Oil Futures:	59.20 (4.03)
3 Yr. T-Note:	1.639 (3.0 bps)	Gold Spot:	1,460.17 (-3.81)
5 Yr. T-Note:	1.663 (3.7 bps)	Merrill Lynch High Yield Indices:	
10 Yr. T-Note:	1.836 (6.1 bps)	U.S. High Yield:	6.32 (-5 bps)
30 Yr. T-Bond:	2.277 (7.2 bps)	BB:	4.55 (-1 bp)
		B:	6.53 (-8 bps)

Longer-term U.S. government bond prices fell last week on data that increased optimism surrounding the U.S. economic outlook. Data released last week showed the U.S. labor market remains strong, with job gains, the unemployment rate, and wage growth all beating expectations. The U.S. economy added 266,000 jobs in November, well above the expected 180,000, while the unemployment rate came in at 3.5%. Prior to this year, the last time the unemployment rate was this low was in 1969. Additionally, wages grew 3.1% over the prior year. The strong employment data was particularly reassuring following weak manufacturing data released earlier in the week. The ISM Manufacturing Index fell to 48.1 in November, which missed expectations and was the fourth consecutive month of contraction, as trade remained the most significant issue across industries. The ISM Non-Manufacturing Index also missed expectations but remained in expansionary territory for the 118th consecutive month. This week, the FOMC holds its final meeting of the year on Tuesday and Wednesday and is widely expected to keep rates unchanged. Major economic reports (related consensus forecasts, prior data) for the upcoming week include Wednesday: December 11 FOMC Rate Decision – Upper Bound (1.75%, 1.75%), November CPI MoM (0.2%, 0.4%), December 6 MBA Mortgage Applications (N/A, -9.2%); Thursday: December 7 Initial Jobless Claims (212k, 203k), November PPI Final Demand MoM (0.2%, 0.4%); Friday: November Retail Sales Advance MoM (0.4%, 0.3%).

US Equities

Weekly Index Performance:		Market Indicators:	
DJIA:	28,015.06 (-0.06%)	Strong Sectors:	Energy, Cons. Staples, Health Care
S&P 500:	3,145.91 (0.21%)		
S&P Midcap:	2,021.98 (0.62%)	Weak Sectors:	Real Estate, Cons. Discretionary, Industrials
S&P Smallcap:	1,002.13 (0.89%)		
NASDAQ Comp:	8,656.53 (-0.07%)	NYSE Advance/Decline:	1,692 / 1,371
Russell 2000:	1,633.84 (0.59%)	NYSE New Highs/New Lows:	258 / 103
		AAII Bulls/Bears:	31.7% / 29.1%

The S&P 500 Index ripped up to close last week near all-time highs. Stocks closed lower early last week but were up nearly 1% Friday after the Bureau of Labor Statics (BLS) announced November Jobs numbers well ahead of economist estimates. The BLS announced November Nonfarm Payrolls and Private Payrolls grew 266k and 254k respectively. These were the highest numbers since January and the highest November since 2014. The unemployment rate hit a 50-year low at 3.5% and wages grew 3.1%. With strength in jobs, unemployment and wages, U.S. consumer spending is likely to remain strong thru the holiday shopping season. There were a few attractive earnings announcements last week. **Ulta Beauty Inc.** was up over 11% on Friday after they announced 3Q revenue and earnings was better than most analysts had feared given the cosmetic company unexpectedly cut guidance last quarter. **DocuSign Inc.** rallied over 8% Friday after they beat and raised revenue guidance. After the announcement, the e-signature software provider had a slew of sell-side analyst hiking price targets as business prospects continued to improve. **HealthEquity Inc.** also announced strong quarterly results and raised revenue guidance. The Health Savings Account (HSA) provider rallied over 7% last week as integration of their WageWorks acquisition fueled results. Currently the trailing P/E on the S&P 500 Index sits near 20.9x. The average monthly trailing P/E for the Index since November 2016 is 20.2x. Which means the index is near its average valuation over the last 3 years. According to Bloomberg, over the next 12 months, earnings per share growth for the Index is estimated to be ~14%. Given average valuations and strong earnings growth estimates, stocks appear to have plenty of room to move higher if the economic backdrop remains strong.

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