

US Economy and Credit Markets			
Yields and Weekly Changes:			
3 Mo. T-Bill:	1.508 (-4.4 bps)	GNMA (30 Yr) 6% Coupon:	110-07/32 (2.77%)
6 Mo. T-Bill:	1.529 (-4.4 bps)	Duration:	3.76 years
1 Yr. T-Bill:	1.524 (3.2 bps)	Bond Buyer 40 Yield:	3.60 (-3 bps)
2 Yr. T-Note:	1.525 (-5.7 bps)	Crude Oil Futures:	63.05 (+1.33)
3 Yr. T-Note:	1.540 (-5.7 bps)	Gold Spot:	1,552.20 (+41.64)
5 Yr. T-Note:	1.590 (-8.8 bps)	Merrill Lynch High Yield Indices:	
10 Yr. T-Note:	1.788 (-8.7 bps)	U.S. High Yield:	6.00 (-1 bps)
30 Yr. T-Bond:	2.244 (-7.2 bps)	BB:	4.39 (1 bps)
		B:	6.09 (-7 bps)

The last day of the year ended with the Two-year/Ten-year U.S. Treasury yield curve, a commonly used recession indicator, steepening to its widest point since October of 2018. Improvement in sentiment surrounding the phase-one trade deal between the United States and China contributed to the yield curve steepening. The week ended with U.S. Treasury yields falling as investors sought out haven assets amid tensions with Iran and weaker-than-expected manufacturing data. Iran vowed retaliation in response to the airstrikes by U.S. military forces early Friday morning. Crude oil and gold prices spiked on headlines as well. The ISM Manufacturing Index, which is a survey, missed the consensus expectation of 49.0. The survey level of 47.2 is lowest level since June of 2009. The slowdown in activity was largely due to the decrease in the new orders index and production index from November to December. Major economic reports (related consensus forecasts, prior data) for the upcoming week include Monday: December Final Markit US Services PMI (52.2, 52.2.), December Final Markit US Composite PMI (n/a, 52.2.); Tuesday: November Trade Balance (-\$44.5b, -\$47.2b), December ISM Non-Manufacturing Index (54.5, 53.9), November Factory Orders (-0.6%, 0.3%), November Final Durable Goods Orders (n/a, -2.0%), November Final Durables Ex Transportation (n/a, 0.0%); Wednesday: January 3 MBA Mortgage Applications (n/a, -5.3%), December ADP Employment Change (160k, 67k); Thursday: January 4 Initial Jobless Claims (221k, 222k), December 28 Continuing Claims (n/a, 1728k), January 5 Bloomberg Consumer Comfort (n/a, 63.9); Friday: December Change in Nonfarm Payrolls (158k, 266k), December in Private Payrolls (150k, 254k), December Change in Manufacturing Payrolls (5k, 54k), November Final Wholesale Inventories MoM (n/a, 0.0%).

US Equities			
Weekly Index Performance:		Market Indicators:	
DJIA:	28,634.88 (0.00%)	Strong Sectors:	Industrials, Energy,
S&P 500:	3,234.85 (-0.12%)		Information Technology
S&P Midcap:	2,055.67 (-0.28%)	Weak Sectors:	Materials, Consumer Staples,
S&P Smallcap:	1,020.93 (0.28%)		Health Care
NASDAQ Comp:	9,020.77 (0.18%)	NYSE Advance/Decline:	1,677 / 1,339
Russell 2000:	1,660.87 (-0.42%)	NYSE New Highs/New Lows:	366 / 31
		AAll Bulls/Bears:	37.2% / 21.9%

The S&P 500 Index closed out 2019 last Tuesday with a 31.48% return. Semiconductor stocks **Advanced Micro Devices Inc.**, **Lam Research Corp**, and **KLA Corp** were the top three performing stocks in the index for 2019, returning 148.43%, 119.31%, and 103.99% respectively. The index's 2019 performance was second only to 2013's 32.37% return over the past 10 years. For the decade which also ended last Tuesday, the index posted a 256% return, equivalent to a 13.5%+ average annual return. The S&P 500 Index declined 12 bps for last week's shortened trading week with the observation of the New Year's holiday. Equities showed a positive start to 2020 climbing 0.85% on Thursday. Friday morning brought reports that the United States had carried out a successful drone strike on an Iranian military leader and an Iraqi militia leader, leading to retaliatory threats from Iran and threats of more action by the United States if Iran retaliated. Equities opened lower over geopolitical concerns regarding the threats of an escalating conflict as the index declined 0.70% on Friday. However, defense stocks like **Northrup Grumman Corp**, **Lockheed Martin Corp**, and **Huntington Ingalls Industries Inc.** all jumped on the news as well as oil stocks like **Occidental Petroleum Corp**, **Concho Resources Inc.**, and **Hess Corp**. Crude oil climbed 3.06% on Friday, closing at \$63.05 per barrel and gaining 2.15% for the week. U.S. initial jobless claims of 222K were equal to the previous week's claims and similar to the consensus estimate of 220K. **Lamb Weston Holdings Inc.**, a packaged food company, was the best performing stock in the S&P 500 Index last week returning 8.70% after a strong positive earnings report boosted the stock on Friday. Biopharmaceutical company **Incyte Corp** was the worst performing stock in the index last week, returning -11.87%. The stock declined on Friday on news of a failed late-stage trial. Earnings announcements expected this week include **Intuitive Surgical Inc.**, **Walgreens Boots Alliance Inc.**, **Constellation Brands Inc.**, and **Lennar Corp**.

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