US Economy and Credit Markets

Yields and Weekly Changes:

3 Mo. T-Bill:	0.030 (-2.6 bps)	GNMA (30 Yr) 6% Coupon:	105-26/32 (4.38%)
6 Mo. T-Bill:	0.178 (2.1 bps)	Duration:	3.88 years
1 Yr. T-Bill:	0.376 (10.9 bps)	Bond Buyer 40 Yield:	3.45 (0 bps)
2 Yr. T-Note:	0.732 (4.4 bps)	Crude Oil Futures:	75.21 (+1.42)
3 Yr. T-Note:	0.957 (-1.1 bps)	Gold Spot:	1,829.20 (+20.39)
5 Yr. T-Note:	1.263 (2.1 bps)	Merrill Lynch High Yield Indices:	
10 Yr. T-Note:	1.510 (1.7 bps)	U.S. High Yield:	4.92 (1 bps)
30 Yr. T-Bond:	1.900 (-0.5 bps)	BB:	3.89 (-1 bps)
		B:	5.40 (4 bps)

Bond yields edged higher while the curve slightly flattened during the final trading week of the year. Muted COVID-19 deaths and less restrictive CDC guidelines following the record-setting omicron variant outbreak de-risked potential virus-related economic disruptions and helped yields rise. As of December 31st, the 7-day moving average of COVID-19 deaths stood at 1,276 which is less than half of the all-time high witnessed in January 2021. Initial jobless claims for the week ended December 25th declined to 198,000 compared to an estimated 206,000. Continuing claims also surprised by falling to 1.72 million which is the lowest total since March 2020. Chicago PMI rose more than forecasted to 63.1 in December. The average Chicago PMI for 2021 of 66.8 is the second highest for a calendar year since the survey began in 1967. Oil rose $1.42 to $75.21 per barrel. Bond yields ended the year significantly higher relative to 2020 year-end while the curve flattened as U.S. economic activity continued its recovery from the pandemic and inflation proved stickier than expected entering the year. Major economic reports (related consensus forecasts, prior data) for the upcoming week include Monday: December Final Markit US Manufacturing PMI (57.8, unch.), November Construction Spending MoM (0.7%, 0.2%); Tuesday: ISM Manufacturing (60.2 61.1); Wednesday: December MBA Mortgage Applications (N/A, -0.6%), December ADP Employment Change (360k, 534k); Thursday: November Trade Balance (-$74.1b, -$67.1b), January 1 Initial Jobless Claims (200k, 198k), November Final Durable Goods Orders (N/A, 2.5%); Friday: December Change in Nonfarm Payrolls (400k, 210k), December Unemployment Rate (4.1%, 4.2%).

US Equities

Weekly Index Performance:		Market Indicators:	
DJIA:	36,338.30 (1.08%)	Strong Sectors:	Real Estate, Utilities
S&P 500:	4,766.18 (0.87%)		Materials
S&P Midcap:	2,842.00 (1.69%)	Weak Sectors:	Financials, Cons. Discretionary,
S&P Smallcap:	1,401.71 (1.09%)		Comm. Services
NASDAQ Comp:	15,644.97 (-0.04%)	NYSE Advance/Decline:	2,531 / 1,001
Russell 2000:	2,245.313 (0.21%)	NYSE New Highs/New Lows:	132 / 334
		AAII Bulls/Bears:	37.7% / 30.5%

Last week was a quiet trading week as the S&P 500 index returned 0.87% and closed near all-time highs. The S&P 500 index returned 28.68% in 2021, the 3rd best year since the turn of the century, trailing only 2019 and 2013. Cyclical sectors Energy, Real Estate and Financials along with Information Technology outpaced the broad market in 2021. While Utilities, Consumer Staples and Industrials were the laggards last year. Due to Omicron variant concerns, the CDC recommended avoiding cruise line travel regardless of vaccination status. Predictably, **Norwegian Cruise Line Holdings, Carnival Corp.** and **Royal Caribbean** all fell over 3% last week. **Tesla Inc.** fell after announcing two large recalls of vehicles last week. The EV maker announced a recall of 300,000+ Model 3 cars having to do with a rear-view camera issue and a recall of 119,000 Model S vehicles for a front trunk problem. Overall, the equity markets didn't seem too concerned as Tesla stock returned -0.96% last week. **Western Digital** rallied 6.55% last week, after their competitor in the NAND flash memory market **Samsung Electronics** announced they were adjusting operations in some Chinese production facilities due to coronavirus concerns. Looking ahead to next year, we remain bullish on equities especially for the long-term investor. The economy remains strong as jobs and corporate earnings have been improving. In equities, we always recommend paying attention to valuations, particularly in the high growth space as higher inflation and interest rates remain headwinds.