US Economy and Credit Markets

Yields and Weekly Changes:

3 Mo. T-Bill:	4.250 (-1.3 bps)	Bond Buyer 40 Yield:	4.48 (-5 bps)
6 Mo. T-Bill:	4.624 (-9.3 bps)	Crude Oil Futures:	74.29 (3.27)
1 Yr. T-Bill:	4.562 (-11.4 bps)	Gold Spot:	1,793.08 (-4.24)
2 Yr. T-Note:	4.178 (-16.6 bps)	Merrill Lynch High Yield Indices:	
3 Yr. T-Note:	3.908 (-19.4 bps)	US High Yield:	8.59 (2 bps)
5 Yr. T-Note:	3.624 (-14.4 bps)	BB:	6.94 (1 bps)
10 Yr. T-Note:	3.482 (-9.6 bps)	B:	8.95 (6 bps)
30 Yr. T-Bond:	3.545 (-1.4 bps)		

The Fed raised rates by 0.50% last week, as expected, following four consecutive 0.75% increases. For the year, the Fed has raised interest rates by 4.25%, which is the fastest pace in decades. The Fed also signaled it expects to continue raising rates through the spring. However, Fed Chair Jerome Powell said the Fed might slow rate increases to 0.25% at the Fed's next meeting in early February to mitigate the risk of over-tightening. Before the rate increase, this month's CPI report showed inflation eased more than expected in November, with the Consumer Price Index rising 7.1% from last year. The CPI has fallen five consecutive months from 9.1% in June but remains significantly above the Fed's 2% inflation target. Retail sales fell 0.6% in November compared to the prior month, which was the largest decline this year. The decrease was well below the expected slowdown of 0.2%. Declines were broad-based and reflected a shift in demand from goods to services. Major economic reports (related consensus forecasts, prior data) for the upcoming week include Tuesday: November Housing Starts (1400k, 1425k); Wednesday: December Conf. Board Consumer Confidence (101.0, 100.2), December 16 MBA Mortgage Applications (N/A, 3.2%), November Existing Home Sales (4.20m, 4.43m); Thursday: December 17 Initial Jobless Claims (225k, 211k), 3Q (Third Estimate) GDP Annualized QoQ (2.9%, 2.9%), November Leading Index (-0.5%, -0.8%); Friday: December Final U. of Mich. Sentiment (59.1, 59.1), November Preliminary Durable Goods Orders (-0.9%, 1.1%), November New Home Sales (600k, 632k), November Personal Income (0.3%, 0.7%), November Personal Spending (0.2%, 0.8%).

US Equities

Weekly Index Performance:		Market Indicators:	
DJIA:	32,920.46 (-1.65%)	Strong Sectors:	Energy, Utilities
S&P 500:	3,852.36 (-2.05%)		Industrials
S&P Midcap:	2,416.51 (-2.09%)	Weak Sectors:	Comm. Services, Info Tech
S&P Smallcap:	1,154.54 (-2.64%)		Cons. Discretionary
NASDAQ Comp:	10,705.41 (-2.7%)	NYSE Advance/Decline:	926/2,218
Russell 2000:	1,763.42 (-1.81%)	NYSE New Highs/New Lows:	43/63
		AAII Bulls/Bears:	24.3%/44.6%

The S&P 500 Index lost 2.1% last week after a euphoric Tuesday gave way to a pessimistic last three days of the week. Investors were initially overjoyed by the better-than-feared CPI reading of 7.1% on Tuesday which set the stage for the Fed to raise interest rates by only 50bps rather than the 75bps hike that it had done the previous four times. The White House rebuked suspicions that the CPI numbers had been prematurely leaked as contracts on the S&P 500 went on a bullish frenzy minutes before the initial release while they typically are stagnant during the pre-release window. On Wednesday Jerome Powell confirmed the anticipated hike but provided language that the Fed would stay tough on inflation and the market reacted negatively as if the probability of rate cuts in 2023 decreased. A complementary rate hike from the European Central bank on Thursday and weak PMI numbers on Friday also spooked investors. Some traders believe the price action of the week was even less that it could have been considering the triple witching of options expiring on Friday which likely pinned down the market somewhat and even more volatility could be expected after those contracts expired. The Energy sector was the only S&P 500 sector to finish the week positively as it was powered by a strong three-day oil rally at the beginning of the week. The worst performing sector in the S&P 500 was Consumer Discretionary which was heavily weighed down by Tesla (**TSLA**, -16.1%). CEO Elon Musk disclosed the sale of 22 million more shares TSLA stock increasing his total sale to over $40B in order to fund his acquisition of Twitter, Inc. Prominent shareholders and Wall Street analysts are calling for Tesla to outline a succession plan in case Musk is unable to satisfy his duties as the simultaneous CEO of both companies sufficiently. Moderna (**MRNA**, +9.0%) was the best performing member of the S&P 500 in the last week as the company released favorable data on one of its personalized cancer vaccines. Shares of Maxar Technologies (**MAXR**, +116.8%) doubled on Friday after the company announced it was being acquired by private equity investment firm Advent International Corp. In the coming week investors will hear off-season quarterly results from Fedex Corp, Nike Inc., and General Mills, Inc.