

US Economy and Credit Markets			
Yields and Weekly Changes:			
3 Mo. T-Bill:	4.343 (5.9 bps)	Bond Buyer 40 Yield:	4.67 (7 bps)
6 Mo. T-Bill:	4.753 (12.2 bps)	Crude Oil Futures:	80.26 (+0.70)
1 Yr. T-Bill:	4.687 (6.1 bps)	Gold Spot:	1,824.02 (+25.82)
2 Yr. T-Note:	4.426 (10.5 bps)	Merrill Lynch High Yield Indices:	
3 Yr. T-Note:	4.224 (13.7 bps)	US High Yield:	8.99 (27 bps)
5 Yr. T-Note:	4.004 (14.7 bps)	BB:	7.29 (24 bps)
10 Yr. T-Note:	3.875 (12.8 bps)	B:	9.39 (32 bps)
30 Yr. T-Bond:	3.963 (14.0 bps)		

Santa filled asset price stockings with coal to end the year as last week's price action perfectly suited an altogether trying 2022. Bonds were down across the yield curve and yields were higher highlighted by the 5-year yield punching above 4% for the first time since November. 2022 saw historic changes to Treasury yields. On Jan 1, 2022, the 3-month yield was 0.3%, the 2-year was 0.732%, the 5-year yielded 1.263% and 10-year yields were a negligible 1.51%. Starting 2023, yields are substantially elevated as seen in the table above. Bond prices reflected the rapid increase in yields as exemplified by the 10-year Treasury which returned a dismal -16%. During the week, a \$1.7 Trillion funding package was exempted by the president which funds the government for the full year 2023. More uncertain, is the fiscal policy's largess on inflation. Economic news was very light with markets quietly enjoying a holiday book-ended week. December Jobless Claims were slightly higher than expected and Pending Home sales were down. Major economic reports (related consensus forecasts, prior data) for the upcoming holiday-shortened week include Tuesday: December final S&P Global US Manufacturing PMI (46.2, unch.); Wednesday: December 30 MBA Mortgage Applications (N/A, 0.9%) and December ISM Manufacturing (48.5, 49.0); Thursday: December ADP Employment Change (145k, 127k), November Trade Balance (-\$73.0b, -\$78.2b) and December 31 Initial Jobless Claims (230k, 225k); Friday: December Change in Nonfarm Payrolls (200k, 263k), December Unemployment Rate (3.7%, unch.) November Factory Orders (-0.9%, 1.0%) and November final Durable Goods Orders (N/A, -2.1%).

US Equities			
Weekly Index Performance:		Market Indicators:	
DJIA:	33,147.25 (-0.17%)	Strong Sectors:	Financials, Energy, Communication Services
S&P 500:	3,839.50 (-0.12%)	Weak Sectors:	Materials, Utilities, Consumer Staples
S&P Midcap:	2,430.38 (-0.13%)	NYSE Advance/Decline:	1,600 / 1,710
S&P Smallcap:	1,157.53 (-0.20%)	NYSE New Highs/New Lows:	165 / 296
NASDAQ Comp:	10,466.48 (-0.28%)	AAll Bulls/Bears:	26.5% / 47.6%
Russell 2000:	1,761.25 (+0.08%)		

Closing the year on 2022, the S&P 500 Index declined 12 basis points during the shortened holiday week which experienced lower trading volume. While the index posted a -5.76% return for December, the previous two positive performing months allowed the index to show a 7.56% return during the fourth quarter, the only positive quarter of the year. After gaining 100% over the previous three years 2019-2021, the S&P 500 Index returned -18.11% in 2022, its worst performance since the 2008 return of -37%. Other major equity index returns for 2022 included the Dow Jones Industrial Average's -6.86%, the NASDAQ Composite Index's -32.51%, and the Russell 2000 Index's -20.46%. Equities confronted headwinds during the year such as high inflation, rising interest rates, global COVID policies, and war in Ukraine. The Federal Reserve's FOMC raised its upper bound of the Fed Funds Target Rate seven times in 2022, taking it from 25 basis points at the start of the year to 4.5% in its efforts to combat high inflation, with expectations to exceed 5% in the coming year. U.S. initial jobless claims were reported at 225K last week, matching the consensus estimate, but were higher than the previous week's claims of 216K. Financials was the best performing sector in the S&P 500 Index last week, followed by energy which was the only other sector to post a positive return. Generator producer **Generac Holdings Inc.** was the best performing stock in the index last week, returning 9.19%. The stock jumped on Wednesday after a Janney Montgomery analyst rated it a buy, indicating the company was undervalued after its large decline. While the stock had gained over 1000% over six years during 2016-2021, it was the worst performer in the S&P 500 Index for 2022, returning -71.40%. Crude oil closed the year at \$80.26 per barrel on Friday, a 6.71% gain during 2022. Energy was the best performing sector in the S&P 500 Index for 2022 with energy company **Occidental Petroleum Corp** taking the top spot with a 119% return. Other top performing energy companies included **Hess Corp**, **Exxon Mobil Corp**, **Marathon Petroleum Corp**, and **Schlumberger Limited**, all posting over 80% returns on the year. Earnings announcements expected this week include **Constellation Brands Inc.**, **Walgreens Boots Alliance Inc.**, **Conagra Brands Inc.**, **Lamb Weston Holdings Inc.**, among others.

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