

US Economy and Credit Markets			
Yields and Weekly Changes:			
3 Mo. T-Bill:	5.332 (-2.1 bps)	Bond Buyer 40 Yield:	4.48 (-1 bps)
6 Mo. T-Bill:	5.246 (-0.8 bps)	Crude Oil Futures:	71.65 (-1.91)
1 Yr. T-Bill:	4.762 (-4.8 bps)	Gold Spot:	2,062.98 (+9.90)
2 Yr. T-Note:	4.250 (-7.3 bps)	Merrill Lynch High Yield Indices:	
3 Yr. T-Note:	4.009 (-2.8 bps)	US High Yield:	7.79 (-5 bps)
5 Yr. T-Note:	3.847 (-2.5 bps)	BB:	6.42 (-4 bps)
10 Yr. T-Note:	3.879 (-1.6 bps)	B:	7.96 (-3 bps)
30 Yr. T-Bond:	4.028 (-2.1 bps)		

Treasury yields dropped slightly over the course of the week as investors bought Treasuries at a strong pace to lock in higher rates in anticipation of sharp cuts in the Federal Funds rate in 2024. On Tuesday, indirect bidders, which includes foreign central banks, bought a record 77.6% of the 1-year Treasury auction and the 3<sup>rd</sup> largest share ever of the 6-month Treasury auction, indicating high demand for today's relatively higher yields. This demand continued on Wednesday as the 5-year Treasury auction saw high demand and Treasury yields dropped significantly across all maturity levels. Treasury yields rebounded moderately on Thursday on concerns that the optimism for rate cuts from the Federal Reserve may be overblown. This concern continued Friday as former Treasury Secretary Lawrence Summers said that the market is probably underestimating the risk of inflation next year and that the Fed may not ease as much as investors are hoping for. The market implied probability of an interest rate cut by the Federal Reserve dropped slightly but still stayed near 100% for each of the March, May and June meetings. Major economic reports (related consensus forecasts, prior data) for the upcoming holiday shortened week include: Tuesday: December Final S&P Global Manufacturing PMI (48.4, 48.2); Wednesday: December 29 MBA Mortgage Applications (n/a, n/a); Thursday: December ADP Employment Change (113k, 103k), December 30 Initial Jobless Claims (n/a, 218k); Friday: December Change in Nonfarm Payrolls (170k, 199k), December Unemployment Rate (3.8%, 3.7%), November Factory Orders (2.0%, -3.6%), November Final Durable Goods Orders (n/a, 5.4%).

US Equities			
Weekly Index Performance:		Market Indicators:	
The Dow <sup>®</sup> :	37,689.54 (0.81%)	Strong Sectors:	Utilities, Cons Staples, Health Care
S&P 500 <sup>®</sup> :	4,769.83 (0.34%)	Weak Sectors:	Energy, Cons Discretionary, Communication Services
S&P MidCap 400 <sup>®</sup> :	2,781.54 (-0.14%)	NYSE Advance/Decline:	1,476 / 1,454
S&P SmallCap 600 <sup>®</sup> :	1,318.26 (-0.02%)	NYSE New Highs/New Lows:	373 / 16
Nasdaq Composite <sup>®</sup> :	15,011.35 (0.17%)	AAll Bulls/Bears:	46.3% / 25.1%
Russell 2000 <sup>®</sup> :	2,027.07 (-0.26%)		

The S&P 500 Index returned 34 basis points during the shortened holiday week on lower trading volume, marking the ninth straight week of positive performance and closing out 2023 at 4,769.83 which is within 28 points of the all-time closing high of 4,796.56. The year began with many investment professionals expecting recession and the equities markets to decline. Instead, equity markets showed strength in 2023 with the S&P 500 Index gaining 26.26% and the NASDAQ 100 Index gaining 55.13% with strong performances from mega-cap stocks like **NVIDIA Corp** and **Meta Platforms Inc.**, which returned 239% and 194% respectively and are members of both indexes. Equity markets were led higher in 2023 by information technology, communication services, and consumer discretionary stocks, with all three sectors gaining over 40%. Fourth quarter showed the most strength with the S&P 500 Index gaining 11.68% and only posting two down weeks throughout the quarter. Contributing to the quarter's strength was the increased expectations of the Federal Reserve rate hikes nearing their end as economic data revealed some softening in the still strong economy. U.S. initial jobless claims of 218K last week were higher than the 210K expected and the previous week's 205K. Semiconductor stock **Advanced Micro Devices Inc.** was the best performer in the S&P 500 Index last week returning 5.59% with semiconductor peer **Intel Corp** not far behind returning 4.69%, helping the S&P 500 Semiconductors & Semiconductor Equipment Industry show the strongest performance in the information technology sector. Consumer discretionary stock **Etsy Inc.** was the worst performing stock last week in the S&P 500 Index declining 4.59%. The stock declined 32.33% in 2023 as the company experienced increasing competition and implemented a restructuring plan. Earnings announcements expected this week include **Constellation Brands Inc.**, **Walgreens Boots Alliance Inc.**, **Lamb Weston Holdings Inc.**, **Conagra Brands Inc.**, **Cal-Maine Foods Inc.**, **Boot Barn Holdings Inc.**, among others.

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