

| US Economy and Credit Markets | | | |
|-------------------------------|----------------|-----------------------------------|-------------------------|
| Yields and Weekly Changes: | | | |
| 3 Mo. T-Bill: | 0.00 (unch) | GNMA (30 Yr) 6% Coupon: | 112-31/32 (1.06%) |
| 6 Mo. T-Bill: | 0.04 (+01 bps) | Duration: | 3.54 years |
| 1 Yr. T-Bill: | 0.08 (-01 bps) | 30-Year Insured Revs: | 219.5% of 30 Yr. T-Bond |
| 2 Yr. T-Note: | 0.22 (-03 bps) | Bond Buyer 40 Yield: | 4.97% (-06 bps) |
| 3 Yr. T-Note: | 0.35 (-02 bps) | Crude Oil Futures: | 99.41 (-1.58) |
| 5 Yr. T-Note: | 0.89 (-02 bps) | Gold Futures: | 1712.00 (-34.20) |
| 10 Yr. T-Note: | 2.06 (+02 bps) | Merrill Lynch High Yield Indices: | |
| 30 Yr. T-Bond: | 3.11 (+8 bps) | BB, 7-10 Yr.: | 6.78% (-10 bps) |
| | | B, 7-10 Yr.: | 8.46% (-16 bps) |

Treasury yields were lower across the medium term of the yield curve this week as negative headlines out of Europe and shaky equity markets lifted bond prices. On Thursday, a larger move occurred as ECB president Mario Draghi softened market expectations that the bank would purchase sovereign debt. His comments caused equities to sell off sharply while treasuries rallied, their yields falling to the lowest levels of the month. On Friday, a positive consumer confidence report coupled with an agreement among European leaders in Brussels to expand and accelerate the scope of their proposed rescue fund, pushed stocks higher and caused treasuries to decline after a 3 day rally. Treasuries in the 1-7 year range finished the week slightly higher while 10 and 30 year maturities loosened by 2 and 8bps, respectively. In economic news for the week, the ISM Non-Manufacturing Index survey was released on Monday, coming in at 52 versus a 53.9 estimate. October consumer credit (reported on Wednesday) expanded to \$7.64bln from \$7.38bln in the prior month, exceeding estimates of \$7bln. Major economic reports (and related consensus forecasts) for next week include: Tuesday: November Retail Sales Less Autos (.6%), October Business Inventories (.8%); Thursday: Empire Manufacturing (3), November MoM Producer Price Index (PPI) (.2%), November Industrial Production (.2%), November Capacity Utilization (77.9%); Friday: November Consumer Price Index (CPI) (.1%)

| Weekly Index Performance: | | Market Indicators: | |
|---------------------------|--------------------------|--------------------------|--|
| DJIA: | 12184.26 (164.84, 1.37%) | Strong Sectors: | Financials, Information Technology, Industrials, Health Care |
| S&P 500: | 1255.19 (10.91, 0.88%) | Weak Sectors: | Materials, Energy, Telecom |
| S&P MidCap: | 885.38 (4.28, 0.49%) | NYSE Advance/Decline: | 1,876 / 1,269 |
| S&P Small Cap: | 414.51 (5.78, 1.41%) | NYSE New Highs/New Lows: | 239 / 44 |
| NASDAQ Comp: | 2646.85 (19.92, 0.76%) | AAll Bulls/Bears: | 38.6% / 34.8% |
| Russell 2000: | 745.40 (10.38, 1.41%) | | |

After the prior week's S&P 500 Index return of 7.46%, last week's 0.91% return for the market wasn't quite the same. The market actually looked like it would be negative for the week after Thursday's 2.11% drop erasing the prior three days 1.38% increase. Friday came in with a solid performance of 1.69% to put the S&P 500 Index in positive territory for the week. European debt problems were weighing on investors' minds. Stocks opened higher to start the week, but S&P put all 17 European Union nations on credit watch which made the market pull back. The next day, stocks pushed higher on news reported by the Financial Times that European officials were in talks of doubling the rescue fund. Thursday's drop came with the European Central Bank President's comments about their bond buying intentions and downplayed possible aggressive action. Friday's news of European leaders reaching a deal to boost rescue funds and enter a multilateral treaty to control European budgets helped push stocks higher. The US had positive economic news with initial jobless claims decreasing this week to 381K from 404K the prior week. University of Michigan Survey of Consumer Confidence Sentiment came in higher than expected at 67.7 from last month's 64.1. Economist consensus was 65.8. While all the sectors except materials had positive performance, financial stocks led the way. **Gannett**, the newspaper owner including USA Today, turned in the best performance in the S&P 500 with a 12.68% return. **Monster Worldwide**, **Dean Foods** and **Teradyne** all returned over 7.00%. **Lennar**, **eBay**, **Tenet Healthcare** and **Morgan Stanley** were some of the companies that returned over 5.00% for the week. Next week will bring more earnings news from companies such as **Best Buy**, **Discover Financial Services**, **FedEx**, **Darden Restaurants** and **General Mills**.