US Economy and Credit Markets

3 Mo. T-Bill:	0.07 (unch.)	GNMA (30 Yr) 6% Coupon:	112-04/32 (2.11%)
6 Mo. T-Bill:	0.31 (+09 bps)	Duration:	3.87 years
1 Yr. T-Bill:	0.44 (+11 bps)	Bond Buyer 40 Yield:	4.35 (+0.01)
2 Yr. T-Note:	0.89 (+16 bps)	Crude Oil Futures:	44.11 (-1.37)
3 Yr. T-Note:	1.22 (+19 bps)	Gold Futures:	1084.50 (-53.90)
5 Yr. T-Note:	1.74 (+22 bps)	Merrill Lynch High Yield Indices:	
10 Yr. T-Note:	2.33 (+18 bps)	U.S. High Yield:	7.85% (+13 bps)
30 Yr. T-Bond:	3.09 (+16 bps)	BB:	5.72% (+10 bps)
		B:	8.00% (+06 bps)

Treasury prices dropped significantly over the course of the week on speculation that the Federal Reserve will finally increase interest rates at the December meeting. Manufacturing and construction data on Monday was strong enough for investors to believe that a rate hike in December was still on the table but Treasury prices really started to fall on Wednesday when Fed Chairwoman Janet Yellen said that December rate hike could be appropriate. Her comments were made during testimony to the House Financial Services Committee where she reiterated similar statements by the Fed after the October meeting. Employment numbers were close to expectations on Wednesday, which many investors speculate will be good enough to support a hike, but Initial Jobless claims on Thursday were weak and caused a slight rebound in Treasury prices. However, the Change in Nonfarm Payrolls on Friday was significantly better than expectations and the unemployment rate fell to a seven-year low, causing Treasuries to drop significantly again. This also led to the market pricing in a 68% probability of the Fed raising interest rates in December, which is up from 50% one week ago. Oil fell 3% and Gold fell 4% over the course of the week to their lowest levels in over a month. Major economic reports (and related consensus forecasts) for the upcoming week include: Tuesday: October NFIB Small Business Optimism (96.5), October Import Price Index (-0.1% MoM, -9.4% YoY), September Wholesale Inventories (0.0%); Wednesday: November 6 MBA Mortgage Applications; Thursday: November 7 Initial Jobless Claims (270,000); Friday: October Retail Sales Advance (0.3% MoM), October PPI Final Demand (0.2% MoM), November P U. Of Mich. Sentiment (91.5).

US Equities

Weekly Index Performance:			Market Indicators:	
DJIA:	17,910.33	(+1.52%)	Strong Sectors:	Financials, Energy, Info Tech
S&P 500:	2,099.20	(+1.02%)		
S&P Midcap:	1,463.32	(+1.33%)	Weak Sectors:	Utilities, Telecom, Consumer Staples
S&P Smallcap:	708.39	(+2.79%)		
NASDAQ Comp:	5,147.12	(+1.92%)	NYSE Advance/Decline:	1,762/ 1,469
Russell 2000:	1,199.75	(+3.29%)	NYSE New Highs/New Lows:	253/ 157
			AAII Bulls/Bears:	39.0% / 18.6%

Equity markets gained for the week as investors weighed corporate earnings and potential higher interest rates after a strong October employment report. With more than 88% of S&P 500 components having reported, around 74% have topped earnings estimates, while only 44% have beaten revenue forecasts. Corporate profits tied to the consumer have fared better than industrial economies as a continued slide in commodity prices and excess capacity abroad has crimped demand for capital goods. Earnings are projected to decline by 3.8% for the quarter. However, after excluding the energy sector, earnings are expected to increase by 2.7%. In economic news, the U.S. economy added 271,000 jobs in October, outpacing the 185,000 projected by economists. The unemployment rate fell to 5%, a seven-year low. Fed funds futures are now pricing in a 68% chance of a December rate hike, up from 56% before the jobs report and 27% last month at its lowest point. In earnings news, **Facebook Inc.** gained 5% for the week after beating on both the top and bottom lines, while **Qualcomm Inc.** fell 10% for the week after giving disappointing guidance. **Walt Disney Co.** beat expectations as ESPN posted solid results and reaffirmed previous cable subscriber guidance given last quarter, reducing fears of cord-cutting accelerating at a faster pace. **Time Warner Inc.** did not fare as well as shares fell 8.6% for the week after next year's internal guidance was cut to $5.25 from $6 a share due to the strong dollar and increased investment in content. With earnings season nearly complete, investor focus will turn to the Federal Reserve's December meeting, which could be the first rate hike in nearly ten years.