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For The Week Ended December 31st, 2009

Weekly Market Commentary & Developments

US Economy and Credit Markets:

Yields and Weekly Changes:

3 Mo. T-Bill	0.04 (unch.)	**GNMA (30 Yr) 6% Coupon:** 105-23/32 (3.17%)	
6 Mo. T-Bill	0.18 (+03 bps)	**Duration:** 3.24 years	
1 Yr. T-Bill	0.43 (+03 bps)	**30-Year Insured Revs**: 150.1% of 30 Yr. T-Bond	
2 Yr. T-Note	1.13 (+17 bps)	**Bond Buyer 40 Yield**: 5.40% (unch.)	
3 Yr. T-Note	1.67 (+13 bps)	**Crude Oil Futures**: 79.92 (+1.87)	
5 Yr. T-Note	2.67 (+14 bps)	**Gold Futures**: 1096.70 (-7.40)	
10 Yr. T-Note	3.83 (+03 bps)	**Merrill Lynch High Yield Indices:**	
30 Yr. T-Bond	4.63 (-05 bps)	**BB, 7-10 Yr.**	7.75% (+06 bps)
		B, 7-10 Yr.	8.91% (+02 bps)

Prices for Treasury bills were down for the week, but the 30-year bond was up slightly in the abbreviated trading week. For the year, the total return for Treasury debt is down by 3.5% according to Bank of America Merrill Lynch indexes, the biggest drop in the index since at least 1978. The yield on the benchmark 10-year note closed 2008 at 2.21%, leaving its yield more than 160 bps higher for the year. A forecast of economists surveyed by Bloomberg anticipates the yield rising to 4.01% in 2010, spurred higher in part by the continued huge borrowing by the federal government. There was little economic news for the week. The Chicago PMI rose by to better-than-expected 60.0%; levels greater than 50% indicate an expanding economy. Major economic reports (and related consensus forecasts) for next week include: Monday: December ISM Manufacturing (54.1, Prices Paid 60.0); Tuesday: November Factory Orders (+0.5%) and December Total Vehicle Sales (11.00 million); Wednesday: December ISM Non-Manufacturing Composite (50.5); Thursday: Initial Jobless Claims (449,000); and Friday: December Employment report, including Change in Nonfarm Payrolls (unchanged), Unemployment Rate (10.0%), Average Hourly Earnings (+0.2%), and Average Weekly Hours (33.2), November Wholesale Inventories (-0.1%), and November Consumer Credit (-$5.0 billion).

US Stocks:

Weekly Index Performance

DJIA	10428.05 (-92.05,-0.9%)
S&P 500	1115.10 (-11.38,-1.0%)
S&P MidCap	726.67 (-13.04,-1.8%)
S&P Small Cap	332.63 (-4.78,-1.4%)
NASDAQ Comp	2269.15 (-16.54,-0.7%)
Russell 2000	625.39 (-8.68,-1.4%)

Market Indicators

Strong Sectors: Technology, Telecom Svcs., Consumer Staples
Weak Sectors: Industrials, Utilities, Consumer Discretionary
NYSE Advance/Decline: 1,214 / 1,947
NYSE New Highs/New Lows: 592 / 5
AAII Bulls/Bears: 49.2% / 23.0%

US stocks moved lower in a short week of trading that was mostly uneventful save for some late profit-taking on New Year's Eve. Economic data out during the week was positive though stocks gained little traction from the news. Weekly jobless claims fell more than expected to their lowest level since July 2008. An independent report out on retail holiday spending showed a 3.8% increase from 2008. Crude oil prices rose and closed in on $80/bbl, largely on technical factors. Oil advanced 78% for the year. Gold retreated while the US dollar was flat. The Treasury injected $3.8 billion more into GMAC Financial Services in exchange for a larger ownership stake. The Treasury also pledged to provide unlimited capital to **Fannie Mae** and **Freddie Mac** as the two mortgage giants struggle to deal with delinquent loans. Shares of homeland security firms including **OSI Systems** surged on expectations orders would flood in following the attempted terror strike on a US-bound commercial airliner. Despite a dreadful start to the year, 2009 turned out to be rewarding for those who stayed invested as the major averages logged their best gains since 2003. The tally, including dividends: DJIA +22.0%, S&P 500 +25.9%, Nasdaq +45.1%, Russell 2000 +26.8%. As well, Q4 2009 marked the third consecutive winning quarter for stocks. Still, equity investors broke even at best during the '00's, everywhere but in small capitalization stocks. Small-caps were clear winners over the past decade. Looking ahead, the coming week may start slowly but will investors will want to be on their toes for Friday's December's jobs report. Investors will perhaps try to formulate a new outlook for the economy and corporate profits with this data point in hand. Though new shocks will undoubtedly emerge in 2010, the balance of evidence in our view supports a positive view of the economy and stock market heading into the New Year.