US Economy and Credit Markets

Yields and Weekly Changes:

3 Mo. T-Bill:	0.13 (+03 bps)	GNMA (30 Yr) 6% Coupon:	110-02/32 (1.96%)
6 Mo. T-Bill:	0.18 (+01 bps)	Duration:	3.33 years
1 Yr. T-Bill:	0.28 (unch.)	30-Year Insured Revs:	157.9% of 30 Yr. T-Bond
2 Yr. T-Note:	0.65 (+05 bps)	Bond Buyer 40 Yield:	5.50% (-01 bps)
3 Yr. T-Note:	1.08 (+09 bps)	Crude Oil Futures:	91.51 (+3.49)
5 Yr. T-Note:	2.04 (+09 bps)	Gold Futures:	1380.00 (+1.40)
10 Yr. T-Note:	3.38 (+06 bps)	Merrill Lynch High Yield Indices:	
30 Yr. T-Bond:	4.47 (+03 bps)	BB, 7-10 Yr.:	6.75% (-02 bps)
		B, 7-10 Yr.:	7.93% (-06 bps)

Treasury prices were generally lower this week as positive economic releases bolstered confidence in the economy reducing the demand for the safety of government debt. Trading stopped early Thursday and remained closed on Friday in observance of Christmas. In economic news this week, 3rd quarter GDP was revised up to 2.6% from 2.5%, but came in below the expectations of 2.8%. November existing home sales were reported to have grown 5.6% at a 4.68 million annual rate which was lower than the estimate of 4.75 million. November new home sales were reported to have grown 5.5% at a 290,000 annual rate which was lower than the estimate of 300,000. November durable goods orders declined 1.3%, which was more than the estimate of 0.5%. Excluding transportation, durable goods orders increased 2.4% which was greater than the estimate of 1.8%. November personal income increased 0.3% vs. the estimate of 0.2% and personal spending increased 0.4% vs. the estimate of 0.5%. U of M Consumer Confidence matched expectations at 74.5. Major economic reports (and related consensus forecasts) for next week include: Monday: December Dallas Fed Manufacturing Index (17.0); Tuesday: December Richmond Fed Manufacturing Index (11); Thursday: December Chicago Purchasing Manager Index (61.0), November Pending Home Sales (2.0% MoM).

US Stocks

Weekly Index Performance:

DJIA:	11573.49 (+81.58,+0.7%)
S&P 500:	1256.77 (+12.86,+1.0%)
S&P MidCap:	910.79 (+8.15,+0.9%)
S&P Small Cap:	419.88 (+4.63,+1.1%)
NASDAQ Comp:	2665.60 (+22.63,+0.9%)
Russell 2000:	788.96 (+9.45,+1.2%)

Market Indicators:

Strong Sectors:	Financials, Energy, Materials
Weak Sectors:	Staples, Health Care, Technology
NYSE Advance/Decline:	2,002 / 1,156
NYSE New Highs/New Lows:	432 / 66
AAII Bulls/Bears:	63.3% / 16.4%

US stocks built on their strong December gains last week as earnings news was mostly positive. The gains for the S&P 500 pushed it to levels last seen before the collapse of Lehman Brothers. Trading volumes gradually diminished as the long holiday weekend approached. European debt remained a concern as Portugal and Hungary were downgraded by Fitch. Oil broke through $90/bbl to finish the week at $91.51/bbl. **Adobe** beat earnings forecasts on stronger than expected revenues. **Walgreen's** shared jumped on strong quarterly results. **Bed**, **Bath & Beyond** posted a ninth consecutive earnings beat. **Carnival** shares gained on inline earnings and strong bookings trends. **Jabil Circuit** reported strong quarterly results and raised its current quarter outlook pushing its shares up 14% on the week. **Nike** fell despite reporting a solid quarter as futures orders disappointed and the company warned of increasing costs. **Darden** shares slumped after ratcheting down 2011 same-store-sales growth expectations. Despite the holiday shortened week, M&A activity remained brisk. **Hancock Holdings** announced a $1.5 billion deal for **Whitney Holdings**, **AT&T** bought wireless spectrum from **QUALCOMM** for $1.9 billion and **Jo-Ann Stores** was taken private in a $1.6 billion transaction. Looking ahead, the coming week brings 2010 to a close. Despite all of the economic uncertainty and sovereign debt worries in Europe, US equities are on pace to post very respectable gains. More gains could be in store as economic indicators continue to point toward improving conditions and equity valuations remain reasonable.