US Economy and Credit Markets

Yields and Weekly Changes:

3 Mo. T-Bill:	0.15 (+01 bps)	GNMA (30 Yr) 6% Coupon:	109-27/32 (2.13%)
6 Mo. T-Bill:	0.18 (+01 bps)	Duration:	3.30 years
1 Yr. T-Bill:	0.25 (unch.)	30-Year Insured Revs:	160.3% of 30 Yr. T-Bond
2 Yr. T-Note:	0.60 (+03 bps)	Bond Buyer 40 Yield:	5.90% (+03 bps)
3 Yr. T-Note:	1.04 (+06 bps)	Crude Oil Futures:	89.09 (-2.58)
5 Yr. T-Note:	2.01 (+09 bps)	Gold Futures:	1341.80 (-19.60)
10 Yr. T-Note:	3.40 (+07 bps)	Merrill Lynch High Yield Indices:	
30 Yr. T-Bond:	4.56 (+03 bps)	BB, 7-10 Yr.:	6.57% (+01 bps)
		B, 7-10 Yr.:	7.68% (unch.)

Treasury prices were lower for the week on a combination of positive news from the economy, optimism for the direction of the economy, and excess supply. Following the Martin Luther King holiday, prices fell Tuesday in response to a sell-off in European bonds. With limited economic news, there was little movement in Treasury prices on Wednesday. Prices fell Thursday after first-time jobless claims and existing-home sales were both better than expected; in addition, a $13 billion auction of 10-year TIPS saw weak demand. Prices were higher to close the week Friday as the Fed continued to buy back debt. Major economic reports (and related consensus forecasts) for next week include: Wednesday: December New Home Sales (300,000, +3.5%) and FOMC Rate Decision announced (0.25%, unch.); Thursday: December Durable Goods Orders (+1.5%, Ex Transportation +0.9%), Initial Jobless Claims (409,000); and Friday: 4Q Employment Cost Index (+0.5%), 4Q Advance GDP (Annualized) (+3.5%, Price Index 1.7%), and January Final U. of Michigan Consumer Confidence (73.1).

US Stocks

Weekly Index Performance:

DJIA:	11818.84 (+84.46,+0.7%)
S&P 500:	1283.35 (-9.89,-0.8%)
S&P MidCap:	914.36 (-16.71,-1.8%)
S&P Small Cap:	410.43 (-15.61,-3.7%)
NASDAQ Comp:	2689.54 (-65.76,-2.4%)
Russell 2000:	773.18 (-34.39,-4.3%)

Market Indicators:

Strong Sectors:	Utilities, Industrials, Consumer Staples
Weak Sectors:	Materials, Technology, Financials
NYSE Advance/Decline:	1,076 / 2,079
NYSE New Highs/New Lows:	395 / 84
AAII Bulls/Bears:	50.8% / 29.1%

US stocks fell for the first week in eight as investors took profits amid generally good earnings news and economic data. Defensive sectors fared best on the week. Crude oil and gold prices fell back. Bucking the defensive trend, the Industrials powered higher on strong economic data out of China and Germany, and on encouraging results from bellwether **General Electric**. GE shares advanced 4.9% as the company reported its first quarterly sales gain in over two years with profits surging 51%. Small cap stocks saw heavy selling. Technology shares were broadly lower as well. **Apple**'s results did not disappoint but shares ended the week down 6.2%. CEO Jobs announced another leave of absence for health reasons. **Google** shares fell 2% despite results that were well ahead of consensus, partly due to a surprise change in CEO's. High-flyer **F5 Networks'** mixed results and disappointing guidance were behind the 23.7% drop in its shares. Investors liked **IBM**'s results, highlighted by strong revenues and service contract signings. IBM shares hit an all-time high following its report. Results from the Financial sector were a mixed bag. **Citigroup** reported improved results versus a year ago but missed estimates due to poor trading results. Results from **Wells Fargo** and **U.S. Bancorp** were boosted by improved consumer credit trends and loan demand. **Goldman Sachs** served up in-line earnings but revenues were light causing the shares to trade 5% lower. **Morgan Stanley** fared better versus expectations and its shares rose 3.6%. **Bank of America**'s quarter was noisy and generally disappointing as mortgage woes continued to weigh on results. Looking ahead, the coming week is mostly about earnings, though the FOMC meeting and decision on rates and first read on Q4 GDP will garner considerable attention. Stocks may pause for a breather but positive forces at work in the US economy suggest it may not be long before they resume their upward trend.