US Economy and Credit Markets

Yields and Weekly Changes:

3 Mo. T-Bill:	0.00 (unch.)	GNMA (30 Yr) 6% Coupon:	112-31/32 (1.01%)
6 Mo. T-Bill:	0.03 (unch.)	Duration:	3.52 years
1 Yr. T-Bill:	0.10 (+02 bps)	30-Year Insured Revs:	224.2% of 30 Yr. T-Bond
2 Yr. T-Note:	0.22 (unch.)	Bond Buyer 40 Yield:	4.90% (-07 bps)
3 Yr. T-Note:	0.34 (-02 bps)	Crude Oil Futures:	94.01 (-5.40)
5 Yr. T-Note:	0.80 (-09 bps)	Gold Futures:	1595.6 (-117.2)
10 Yr. T-Note:	1.85 (-21 bps)	Merrill Lynch High Yield Indices:	
30 Yr. T-Bond:	2.85 (-25 bps)	BB, 7-10 Yr.:	6.76% (-02 bps)
		B, 7-10 Yr.:	8.47% (+01 bps)

Treasuries through the middle and long end of the curve increased the most in over a month as Fitch Ratings lowered France's debt rating outlook to negative. Prices were higher Monday as Moody's said it will review the credit ratings of EU countries and retail sales in the US were reported slightly lower than expected. Yields were relatively unchanged Tuesday after the release of the Fed's minutes showed little change in its outlook. Treasuries were higher Wednesday as headlines from Europe continued to worry investors. Prices were unchanged on Thursday even as the Empire Manufacturing Index was reported higher than expected and initial jobless claims dropped to the lowest levels since May 2008. Yields fell again on Friday as Fitch lowered France's outlook to negative and said that six other nations may also be downgraded including Italy and Spain. Major economic reports (and related consensus forecasts) for next week include: Tuesday: November Housing Starts (635,000, +1.1% MoM), November Building Permits (635,000, -1.4% MoM); Wednesday: November Existing Home Sales (5.09M, +2.6% MoM); Thursday: 3rd quarter annualized GDP (+2.0%), 3rd Quarter Personal Consumption (+2.3%), 3rd Quarter GDP Price Index (+2.5%), Initial Jobless Claims (375,000), November Leading Indicators (+0.3%); Friday: November Durable Goods Orders (+2.0%, +0.40% Excluding Transportation), November Personal Income (+0.2%), November Personal Spending (+0.3%), November New Home Sales (314,000, +2.3% MoM).

US Stocks

Weekly Index Performance:

DJIA:	11866.39 (-317.87,-2.6%)
S&P 500:	1219.66 (-35.53,-2.8%)
S&P MidCap:	855.67 (-29.71,-3.4%)
S&P Small Cap:	403.79 (-10.72,-2.6%)
NASDAQ Comp:	2555.33 (-91.52,-3.5%)
Russell 2000:	722.05 (-23.35,-3.1%)

Market Indicators:

Strong Sectors:	Utilities, Health Care, Consumer Staples
Weak Sectors:	Financials, Info Tech, Energy
NYSE Advance/Decline:	813/ 2,348
NYSE New Highs/New Lows:	190/ 168
AAII Bulls/Bears:	40.2% / 33.6%

U.S. stocks fell for the week as the European Union still lacks a comprehensive plan for solving their debt crisis. Also this week, Fitch Ratings lowered France's outlook to negative and placed a number of other EU members on downgrade watch. Additionally, Moody's Investor Service announced they also plan to review EU sovereign credit, despite last week's agreement of stricter budget rules. Turning to U.S. news, investors were disappointed after the Federal Reserve abstained from taking new action to strengthen the economy through additional bond purchases. U.S. economic figures continue to improve as initial jobless claims fell to a three year low and the Philadelphia Fed's Business Outlook surprised to the upside. **FedEx,** a barometer for the economy, rose following earnings as their fiscal second-quarter profit increased 76%. **Intel** fell after lowering their guidance due to hard disk drive shortages from the Thailand floods. In retail, **Best Buy** declined due to weak margins as they discounted heavily around Black Friday, while **Urban Outfitters** gained as comparables increased mid-single digits. **First Solar** fell over 30% for the week as they announced another round of restructuring and management lowered full year guidance. The potential expiration of solar subsidies continues to weigh on these shares. Looking ahead, markets will probably remain range bound in the near term as the European Union still lacks a wide-ranging plan. For investors willing to look longer term, U.S. markets persist to look attractively priced as corporate profits continue to grow. Furthermore, strong corporate balance sheets coupled with the U.S. markets already past their debt crisis could continue to provide a safe haven, in contrast to international markets.