US Economy and Credit Markets

Yields and Weekly Changes:

3 Mo. T-Bill:	0.10 (unch.)	GNMA (30 Yr) 6% Coupon:	113-01/32 (0.78%)
6 Mo. T-Bill:	0.15 (+01 bps)	Duration:	3.46 years
1 Yr. T-Bill:	0.17 (+01 bps)	30-Year Insured Revs:	154.7% of 30 Yr. T-Bond
2 Yr. T-Note:	0.26 (unch.)	Bond Buyer 40 Yield:	4.16% (-02 bps)
3 Yr. T-Note:	0.34 (+01 bps)	Crude Oil Futures:	91.86 (-1.98)
5 Yr. T-Note:	0.66 (-02 bps)	Gold Futures:	1758 (+68.5)
10 Yr. T-Note:	1.66 (-09 bps)	Merrill Lynch High Yield Indices:	
30 Yr. T-Bond:	2.83 (-14 bps)	BB, 7-10 Yr.:	5.49% (unch.)
		B, 7-10 Yr.:	6.67% (unch.)

Longer dated Treasury yields drifted lower this week on four days of trading as the bond market was closed Monday for Columbus Day. On Tuesday Treasuries jumped the most in 3 weeks, according to Bloomberg, as U.S. auctions of 3 year notes drew strong demand and the IMF cut its global growth forecast to just 3.3% this year, boosting demand for safe assets. The rise in Treasuries continued on Wednesday following a U.S. auction of 10 year notes which drew better than expected demand with a 3.26 bid-to-cover ratio. On Thursday the August Trade Balance was reported at -$44.2B vs. an estimate of $44B. Initial Jobless Claims for Oct 6 were 339K while continuing claims for Sept. 29 were reported at 3273K, slightly better than expectations. Treasuries continued to gain Friday to close out the week as the September Producer Price Index (PPI) rose 1.1% MoM, ahead of .8% consensus estimates but was flat excluding food and energy. Additionally, the October preliminary U. of Michigan Confidence survey was reported at 83.1, ahead of survey expectations for a reading of 78. Major economic reports (and related consensus forecasts) for next week include: Monday: October Empire Retail Manufacturing (-4), September Advance Retail Sales (.8%), August Business Inventories (.5%); Tuesday: September Consumer Price Index (.5% MoM) and CPI Ex-Food & Energy (.2%), September Industrial Production (.2%), and September Capacity Utilization (78.3%); Wednesday: September Housing Starts (770k) and Building Permits (810k); Thursday: October Philadelphia Fed (.2) and September Leading Indicators (.2%); Friday: September Existing Home Sales (-1.5%).

US Stocks

Weekly Index Performance:

DJIA:	13328.85 (-281.30, -2.1%)
S&P 500:	1428.59 (-32.34, -2.2%)
S&P MidCap:	975.61 (-20.75, -2.1%)
S&P Small Cap:	458.26 (-12.00, -2.6%)
NASDAQ Comp:	3044.12 (-92.07, -2.9%)
Russell 2000:	823.09 (-19.77, -2.3%)

Market Indicators:

Strong Sectors:	Utilities, Energy, Financials
Weak Sectors:	Telecom, Cons Disc, Info Tech
NYSE Advance/Decline:	884/ 2,268
NYSE New Highs/New Lows:	294/ 71
AAII Bulls/Bears:	30.6%/ 38.9%

Stocks fell for the week as global growth could slow and the start of earnings season did little to inspire investors. On Monday, the World Bank slashed its growth forecast for East Asia and raised concern that a China slowdown could be worse than most analysts have projected. Adding to fears, uncertainty over the next steps in the euro-zone debt crisis weighed on investor sentiment as European finance ministers met in Luxembourg. Stocks continued their decline on Tuesday after the International Monetary Fund cut global growth to 3.3% from 3.5% in July. **Alcoa Inc.** unofficially kicked off earnings season by exceeding estimates. However, shares fell due to guidance as demand will be lower than expected in China and Europe. **Wells Fargo Co.** and **JPMorgan Chase & Co.** both exceeded earnings projections but traded lower as net interest margins continued to compress. Jamie Dimon, CEO of **JPMorgan Chase & Co.**, provided some optimism by stating, “The housing market has turned the corner.” **Yum! Brands Inc.** also reported solid earnings results driven by China and lower food inflation. In other stock news, **Sprint Nextel Corp.** jumped after it was reported that **Softbank Corp.** is in talks to buy a large stake in the telecommunications company. **Green Dot Corp.** traded lower after **Wal-Mart Stores Inc.** announced a reloadable debit card with **American Express Company**, ending the company’s exclusive deal. Looking ahead, markets will most likely be volatile in the near term due to earnings season, the elections, and the looming fiscal cliff. For investors with a longer time horizon, equities continue to look undervalued on a valuation basis.