US Economy and Credit Markets

Yields and Weekly Changes:

3 Mo. T-Bill:	0.10 (unch.)	GNMA (30 Yr) 6% Coupon:	113-16/32 (0.77%)
6 Mo. T-Bill:	0.12 (unch.)	Duration:	3.55 years
1 Yr. T-Bill:	0.16 (unch.)	30-Year Insured Revs:	146.7% of 30 Yr. T-Bond
2 Yr. T-Note:	0.25 (unch)	Bond Buyer 40 Yield:	4.28% (+06 bps)
3 Yr. T-Note:	0.35 (+02 bps)	Crude Oil Futures:	99.00 (+2.58)
5 Yr. T-Note:	0.71 (+06 bps)	Gold Futures:	1770.10 (+32.10)
10 Yr. T-Note:	1.86 (+19 bps)	Merrill Lynch High Yield Indices:	
30 Yr. T-Bond:	3.08 (+26 bps)	BB, 7-10 Yr.:	5.39% (-17 bps)
		B, 7-10 Yr.:	6.56% (-25 bps)

Long dated treasury yields increased substantially this week including the largest weekly increase in the 30-year bond yield since 2009 according to Bloomberg. Thursday, Fed Chairman Ben Bernanke said the Fed will initiate an open ended plan to purchase $40 billion in debt monthly and will hold interest rated at virtually zero through mid-2015 which increased concern that inflation will accelerate. Moody's noted on Tuesday that it may lower the U.S. government's Aaa rating to Aa1 if budget negotiations next year do not lead to "stabilization and then a downward trend in the ratio of federal debt to GDP over the medium term". Thursday, the August PPI increased 1.7% vs. expectations of 1.2% growth and is 2.0% higher year over year also exceeding estimates. CPI was reported Friday to have grown 0.6% in August which was in line with survey estimates. Retail sales in August increased 0.9%, slightly higher than expectations of 0.8% growth. Preliminary U of M Consumer Confidence in September was reported at 79.2, higher than the estimate of 74.0. Major economic reports (and related consensus forecasts) for next week include: Monday: September Empire Manufacturing Index (-2.00); Wednesday: August Housing Starts (765,000, 2.6% MoM), August Building Permits (795,000, -2.0% MoM), August Existing Home Sales (4.56M, 2.0% MoM); Thursday: September Philadelphia Fed (-4.0), August Leading Indicators (-0.1%).

US Stocks

Weekly Index Performance:

		Market Indicators:	
DJIA:	13,593.37 (+286.73, 2.2%)	Strong Sectors:	Energy, Financials, Materials
S&P 500:	1465.77 (+27.85, 1.9%)		
S&P MidCap:	1026.85 (+22.25, 2.2%)	Weak Sectors:	Utilities, Consumer Staples, Health Care
S&P Small Cap:	485.66 (+11.69, 2.5%)		
NASDAQ Comp:	3183.95 (+47.53, 1.5%)	NYSE Advance/Decline:	2,317/ 837
		NYSE New Highs/New Lows:	722/ 36
Russell 2000:	864.70 (+22.43, 2.7%)	AAII Bulls/Bears:	36.5%/ 33.0%

The Federal Reserve's announcement of additional quantitative easing propelled equities and other risky asset classes higher for the week. The plan calls for the Federal Reserve to purchase an additional $40 billion a month of mortgage-backed securities and to increase other asset purchases if the labor market does not improve. Additionally, interest rates are now expected to be held near zero through at least mid-2015. The decision by the German Constitutional Court to approve the permanent euro zone bailout fund was also well received by the market. Economic news was mixed for the week as industrial production fell but retail sales increased the most in six months, driven by strong automobile demand. Turning to stock news, **Apple Inc.** unveiled the iPhone 5 which boasts a bigger screen, a faster processor, and is 20% lighter than the iPhone 4S. The new phone is expected to break previous sales records and could boost the U.S. 4th quarter GDP by up to 0.5%, according to JP Morgan's Chief Economist, Michael Feroli. **Facebook Inc.** gained nearly 16% for the week after CEO Mark Zuckerberg stated in an interview the company would focus on financial results and mobile, an area of weakness. **Morgan Stanley** and **Citigroup Inc.** both gained after **Morgan Stanley** agreed to acquire the rest of their Morgan Stanley Smith Barney joint venture. **Equinix, Inc.** popped after the company announced their decision to convert to a real estate investment trust in 2015. Looking ahead to next week, investors will be focused on housing data and earnings from **FedEx Corp.**