US Economy and Credit Markets

Yields and Weekly Changes:

3 Mo. T-Bill:	0.02 (+02 bps)	GNMA (30 Yr) 6% Coupon:	112-16/32 (1.40%)
6 Mo. T-Bill:	0.11 (+01 bps)	Duration:	3.67 years
1 Yr. T-Bill:	0.22 (-01 bps)	30-Year Insured Revs:	196.3% of 30 Yr. T-Bond
2 Yr. T-Note:	0.67 (-07 bps)	Bond Buyer 40 Yield:	4.25 (-06 bps)
3 Yr. T-Note:	1.06 (-11 bps)	Crude Oil Futures:	52.63 (-2.10)
5 Yr. T-Note:	1.61 (-15 bps)	Gold Futures:	1,188.90 (-6.40)
10 Yr. T-Note:	2.11 (-14 bps)	Merrill Lynch High Yield Indices:	
30 Yr. T-Bond:	2.69 (-13 bps)	U.S. High Yield:	6.95% (+03 bps)
		BB:	5.21% (-03 bps)
		B:	7.32% (+09 bps)

Treasury prices rose every day during the week as equity markets dropped on fears of a renewed Eurozone crisis and poor U.S. economic data. On Monday, Treasury prices jumped as Greece heads toward a snap election. The government of Greek Prime Minister Antonis Samaras failed to convince lawmakers to elect its favored presidential candidate, leading to elections on January 25th. The current leader in the polls is the left-wing Syriza party, which appeals to the Greek resentment of austerity. The run up to the elections is leading to a risk off trade, causing Treasury prices to rise. Treasury prices continued to increase on Tuesday and Wednesday as the consumer confidence index, initial jobless claims, and Chicago purchasing manager numbers all came in worse than expected. This led to a large sell off in the equity markets Wednesday as investors were seeking the safety of Treasuries. Prices for Treasuries continued to climb on Friday as November construction spending and ISM manufacturing were both lower than anticipated. Oil prices continued to fall another 4% on poor economic activity. Major economic reports (and related consensus forecasts) for the upcoming week include: Tuesday: November Factory Orders (-0.4%), December ISM Non-Manf. Composite (58.0); Wednesday: December ADP Employment Change (226,000), November Trade Balance (-$42B); Thursday: Jan 3 Initial Jobless Claims (290,000); Friday: December Nonfarm Payrolls (243,000), December Unemployment Rate (5.7%), November Wholesale Inventories (0.3% MoM).

US Equities

Weekly Index Performance:			Market Indicators:	
DJIA:	17,832.99	(-1.20%)	Strong Sectors:	Energy, Health Care, Cons Disc
S&P 500:	2,058.20	(-1.42%)		
S&P Midcap:	1,451.31	(-1.08%)	Weak Sectors:	Info Tech, Cons Staples, Utilities
S&P Smallcap:	690.17	(-1.34%)		
NASDAQ Comp:	4,726.81	(-1.64%)	NYSE Advance/Decline:	1,355/ 1,893
Russell 2000:	1,198.80	(-1.30%)	NYSE New Highs/New Lows:	413/86
			AAII Bulls/Bears:	51.7% / 19.3%

Equity markets finished the holiday shortened week lower, but still posted solid gains for the year as the S&P 500 had a total return of 13.66%. Economic data was generally weaker-than-expected with the ISM manufacturing index falling to 55.5 from 58.7, the lowest reading in six months. However, the index can be volatile month-to-month and remains well above 50, the dividing line between expansion and contraction. Pending home sales rose 0.8% in November, slightly beating economist estimates, but growth remains tepid despite a strong pick up in jobs and economic growth over the last several months. Consumer confidence increased to 92.6 in December, nearing the highest level in the last seven years. Oil continued its downward descent as global growth remains uncertain and supply remains abundant. **Civeo Corp.**, a provider of housing for oil-service workers, became the latest casualty of lower oil prices as shares fell over 50% following a profit warning and suspension of their dividend. In other stock news, **General Motors Co.** gained following speculation that auto sales will be strong for December due to new models and lower gas prices. **Manitowoc Co.** shares moved higher after Carl Icahn disclosed a 7.8% stake in the company and plans to push for a separation of their divisions. Looking ahead to next week, most of the focus will be on Friday's labor report, which is expected to show job gains of around 240,000 for December. Despite valuations near historic averages, the U.S. market looks poised to extend its six year winning streak as labor growth, improving consumer confidence, and strong GDP growth over the last two quarters point to continued earnings momentum for the market.