US Economy and Credit Markets

Yields and Weekly Changes:

3 Mo. T-Bill:	0.51 (+01 bps)	GNMA (30 Yr) 6% Coupon:	113-12/32 (1.30%)
6 Mo. T-Bill:	0.65 (+01 bps)	Duration:	4.16 years
1 Yr. T-Bill:	0.85 (-03 bps)	Bond Buyer 40 Yield:	4.29 (-09 bps)
2 Yr. T-Note:	1.20 (-05 bps)	Crude Oil Futures:	52.26 (+1.76)
3 Yr. T-Note:	1.54 (-06 bps)	Gold Spot:	1,131.90 (-3.40)
5 Yr. T-Note:	2.02 (-04 bps)	Merrill Lynch High Yield Indices:	
10 Yr. T-Note:	2.54 (-05 bps)	U.S. High Yield:	6.50% (-07 bps)
30 Yr. T-Bond:	3.11 (-06 bps)	BB:	4.97% (-07 bps)
		B:	6.45% (-08 bps)

Yields fell marginally in a quiet week leading up to the Christmas Holiday. Following the latest Federal Reserve benchmark lending rate increase, US Mortgage rates have jumped to over 4% on 30-year loans which is the highest reading since April of 2014. According to the National Association of Realtors, existing home inventories have fallen to less than half of their recession highs and there are now fewer than 2,000,000 existing homes listed for sale. There is an acute shortage of affordably priced entry level homes and rates have moved sharply higher over the last two months but the 15 and 30 year interest rates are still low by historical levels. The Unites States federal fund rates have median rate estimate of 1.38% for 2017 according to the implied federal funds target rate. On Wednesday, existing home sales were shown to increase 0.7% in November and are up 15.4% versus a year ago. Thursday, the last full day of trading for the week, was a busy day of economic reports and included Real GDP growth being revised up to a 3.5% annual rate. It also recorded November new orders for durable goods declining 4.6% but coming in ahead of expectations. Personal Income numbers for November were released on Thursday as well and came in below expectations. Overall consumer inflation was recorded increasing 1.4% from a year earlier. Friday's reported November single-family home sales surprised to the high side and were up 16.5% from the prior year and there is currently only 5.1 months of supply. Major economic reports (and related consensus forecasts) for the upcoming holiday shortened week include: Wednesday: December Consumer Confidence (108.5, +1.4) Thursday: Preliminary November month over month Wholesale Inventories (.1%, +.5%) and prior week Initial Jobless Claims; Friday: December Chicago Purchasing Manager (56.5, -1.1).

US Equities

Weekly Index Performance:		Market Indicators:	
DJIA:	19,933.81 (0.46%)	Strong Sectors:	Telecom, Financials
S&P 500:	2,263.79 (0.29%)		Industrials
S&P Midcap:	1,673.50 (0.36%)	Weak Sectors:	Consumer Discretionary,
S&P Smallcap:	845.02 (0.37%)		Energy, REITS
NASDAQ Comp:	5,462.69 (0.49%)	NYSE Advance/Decline:	1,815 / 1,289
Russell 2000:	1,371.42 (0.55%)	NYSE New Highs/New Lows:	314 / 68
		AAII Bulls/Bears:	44.6% / 29.2%

Once again equity markets were positive for the week as the S&P 500 advanced 0.29%. Predictably, trading volume this week was thin, as names in the S&P 500 together averaged 473m shares traded per day, compared to the average 643m shares per day so far in 2016. Despite the year end light volume, the S&P 500 is now up 3.08% in December, 4.95% in 4Q16 and 13.17% YTD. Assuming the index remains positive in 2016, this would mark the 8th consecutive calendar year of gains. The index was up 8 straight calendar years from 1982-1989 and up 9 straight calendar years from 1991-1999. The Philadelphia Stock Exchange Semiconductor index is up over 42% YTD and up nearly 11.5% so far in 4Q16. The run in semi names can be attributed to significant demand recovery during 2016, along with continued technological innovation. **Micron Technology**, a large cap semi name, was the top performer in the S&P 500 this week as its shares ran up over 14%. Micron released their quarterly report which bested analysts' estimates on both earnings and revenue, along with strong corporate guidance for 2017. Micron credited strong performance to significant improvement in PC DRAM pricing. Since the U.S. Presidential election, international stock markets, particularly in Europe, are also starting to benefit. The STOXX Europe 600 index, which is comprised of Europe's 600 largest equities, is up over 5.3% in EUR (3.8% in USD) during the month of December. Fueling the rally has been more of a 'risk on' trade in Europe as cyclicals have advanced more than defensive names. Looking ahead to next week, U.S. equity markets are closed on Monday for Christmas. Further, we would expect trading volumes to remain thin next week as investors enjoy their holiday, and potentially delay taxable events until next year.