US Economy and Credit Markets

3 Mo. T-Bill:	0.50 (-01 bps)	GNMA (30 Yr) 6% Coupon:	113-14/32 (1.28%)
6 Mo. T-Bill:	0.61 (-04 bps)	Duration:	4.19 years
1 Yr. T-Bill:	0.81 (-04 bps)	Bond Buyer 40 Yield:	4.29 (-09 bps)
2 Yr. T-Note:	1.19 (-01 bps)	Crude Oil Futures:	53.72 (+0.70)
3 Yr. T-Note:	1.45 (-09 bps)	Gold Spot:	1,147.50 (+14.20)
5 Yr. T-Note:	1.93 (-10 bps)	Merrill Lynch High Yield Indices:	
10 Yr. T-Note:	2.44 (-09 bps)	U.S. High Yield: 6.46% (-04 bps)	
30 Yr. T-Bond:	3.07 (-05 bps)	BB:	4.94% (-03 bps)
		B:	6.41% (-04 bps)

Treasury prices rose over the course of the holiday-shorted week on strong demand in Treasury auctions and poor housing data. On Tuesday, Treasuries started the week down slightly in a thinly traded session as investors continued the sell-off that has persisted during the 2nd half of 2016. However, this trend was reversed the rest of the week. Treasury prices climbed on Wednesday as pending home sales came in much weaker than expected. Despite thin trading during the week, Thursday saw strong demand for a 7-year Treasury auction that sold 2 basis points below where the 7-year Treasury was trading before the sale. On Friday, the Chicago Purchasing Manager index was poorer than expected which helped Treasuries to end the week even higher as yields reach their lowest levels since the middle of December. Major economic reports (and related consensus forecasts) for the upcoming holiday shortened week include: Tuesday: December Final Markit US Manufacturing PMI (54.2), December ISM Manufacturing (53.8), November Construction Spending (0.5% MoM); Tuesday: December 30 MBA Mortgage Applications, Wednesday: December ADP Employment Change (175,000), December 31 Initial Jobless Claims (260,000); Thursday: November Trade Balance (-$44.0B), December Change in Nonfarm Payrolls (180,000), December Unemployment Rate (4.7%), November Factory Orders (-2.3%), November Final Durable Goods Orders (-4.6%).

US Equities

Weekly Index Performance:			Market Indicators:	
DJIA:	19,762.60	(-0.86%)	Strong Sectors:	Real Estate, Health Care, Utilities
S&P 500:	2,238.83	(-1.07%)		
S&P Midcap:	1,660.58	(-0.73%)	Weak Sectors:	Consumer Discretionary, Energy, InfoTech
S&P Smallcap:	837.96	(-0.80%)		
NASDAQ Comp:	5,383.12	(-1.43%)	NYSE Advance/Decline:	1,223 / 1,868
Russell 2000:	1,357.13	(-0.97%)	NYSE New Highs/New Lows:	228 / 62
			AAII Bulls/Bears:	45.6% / 25.7%

Equities pared their yearly gains in the final trading week of the year, as the Dow Jones Industrial Average finished the year 238 points away from 20,000. Stocks edged higher to begin the week on Tuesday after Monday's holiday, but fell on the final three trading days of the year in light trading. The Dow Jones Industrial Average was 20 points shy of reaching 20,000 on Tuesday. Defensive and higher dividend yielding sectors, which have lagged the market since the election, outperformed for the week with the real estate sector providing the only positive return for the week. In economic news, existing home sales declined by 2.5% in November versus expectations of a 0.5% increase. Initial jobless claims were in line with expectations at 265,000 for the week. In stock news, shares of **Cabot Oil & Gas Corp.** and **Williams Cos.** gained Friday after the Atlantic Sunrise pipeline project passed an environmental review. **NVIDIA Corp.**, the top performing stock in the S&P 500 for 2016, fell nearly 3% for the week after a negative research report valued the stock at $90. Looking ahead to the new year, equities will aim for a ninth consecutive year of positive returns. While equity valuations do not seem overly compelling, earnings growth should be the main catalyst for 2017 with the S&P 500 expected to grow earnings by 12% next year.