US Economy and Credit Markets

3 Mo. T-Bill:	0.51 (+01 bps)	GNMA (30 Yr) 6% Coupon:	113-11/32 (1.85%)
6 Mo. T-Bill:	0.62 (+01 bps)	Duration:	4.21 years
1 Yr. T-Bill:	0.79 (-01 bps)	Bond Buyer 40 Yield:	4.26 (+01 bps)
2 Yr. T-Note:	1.22 (+03 bps)	Crude Oil Futures:	53.17 (+0.75)
3 Yr. T-Note:	1.48 (-01 bps)	Gold Spot:	1188.40 (-16.50)
5 Yr. T-Note:	1.95 (+01 bps)	Merrill Lynch High Yield Indices:	
10 Yr. T-Note:	2.48 (+02 bps)	U.S. High Yield:	6.21% (-09 bps)
30 Yr. T-Bond:	3.06 (+01 bps)	BB:	4.83% (-05 bps)
		B:	6.17% (-10 bps)

Yields rose for the second consecutive week as a slew of economic data indicates a still expanding domestic economy. Q4 2016 registered a 1.9 percent growth rate and consumer spending popped 2.5 percent for the quarter. Amid these positives, however, the US trade deficit widened to levels not seen since 2010. This comes at a time when trade is being hotly debated as a result of the new administration's declared intention to renegotiate trade deals. Last Tuesday, existing home sales were registered declining 2.8 percent for the month of December and on Thursday new single-family home sales declined 10.4 percent for the month. Median prices were off as well. While an increase in interest rates has raised concerns about the affordability of homes, the months' supply of existing homes, how long it would take to sell the current inventory at the most recent selling pace, is only 3.6 months and interest rates are still low relative to historical levels. According to the NAR, anything less than 5.0 months is considered tight supply. Major economic reports (and related consensus forecasts) for the upcoming week include: Monday: December personal income and personal spending data (.4%, +.4% and .5%, +.3%); Tuesday: January Chicago Purchasing Manager (55, +.4) and January Conference Board Consumer Confidence (112.9, -.8); Wednesday: Prior week MBA Mortgage Applications, January ADP employment Change (167K, +14K), January Markit US Manufacturing PMI (55.1, unch.), January ISM Manufacturing (55, +.3) and FOMC Rate Decision (.75% upper bound, .5% lower bound); Thursday: Prior week Initial Jobless Claims (250K, -9K); Friday: January change in nonfarm payrolls (175K, +19K), January employment rate (4.7%, unch.), December factory orders (1%, +3.4%) and December Durable Goods Orders.

US Equities

Weekly Index Performance:			Market Indicators:	
DJIA:	20,093.78	(+1.34%)	Strong Sectors:	Materials, Info Tech, Financials
S&P 500:	2,294.69	(+1.04%)		
S&P Midcap:	1,696.67	(+1.28%)	Weak Sectors:	Telecom, Real Estate, Energy
S&P Smallcap:	838.36	(+1.31%)		
NASDAQ Comp:	5,660.78	(+1.91%)	NYSE Advance/Decline:	2,115 / 994
Russell 2000:	1,370.70	(+1.40%)	NYSE New Highs/New Lows:	498 / 41
			AAII Bulls/Bears:	31.6% / 33.5%

The Dow Jones Industrial Average closed above 20,000 for the first time on Wednesday, powered by an extraordinary rally that started in the depths of financial crisis. For the week, the market was propelled by strong earnings reports and investors' continued hope for pro-growth policies from the new administration. During his first week in office, President Trump focused on his infrastructure plan, voiced the need for reduced regulation, and pulled out of the Trans-Pacific Partnership. His protectionist policies were validated by slower-than-expected GDP growth of 1.9% in the 4th quarter due mainly to net exports, which subtracted 1.7% from GDP. Turing to earnings news, many technology bellwethers reported strong results from growth in the cloud**. Microsoft Corp.** topped expectations as Azure's revenue nearly doubled from the year-ago period and **Intel Corp**. beat top-line expectations on strong demand for processors that power data-center servers. **Alphabet Inc.** missed earnings on increased spending for their cloud based services in an effort to narrow the gap between them and **Amazon.com**. In other earnings news, **Rockwell Automation** beat estimates and raised guidance for the fiscal year as management sees an improving macro backdrop, especially in the transportation and consumer verticals. **Royal Caribbean Cruises Ltd.** gained after forecasting strong results for next quarter on higher bookings and lower costs. Earnings for the S&P 500 are expected to grow by 4.1% in the 4th quarter and 11.9% for 2017. Despite an above-average multiple for the market, the S&P 500 could continue to see new highs if earnings estimates come true.