| US Economy and Credit Markets | | | |
|---|---|---|---|
| Yields and Weekly Changes: | | | |
| 3 Mo. T-Bill: | 1.38 (+05 bps) | GNMA (30 Yr) 6% Coupon: | 111-20/32 (2.66%) |
| 6 Mo. T-Bill: | 1.53 (unch.) | Duration: | 4.09 years |
| 1 Yr. T-Bill: | 1.73 (+02 bps) | Bond Buyer 40 Yield: | 3.87 (-07 bps) |
| 2 Yr. T-Note: | 1.88 (-01 bps) | Crude Oil Futures: | 60.42 (+1.95) |
| 3 Yr. T-Note: | 1.97 (-04 bps) | Gold Spot: | 1,302.80 (+28.64) |
| 5 Yr. T-Note: | 2.21 (-04 bps) | Merrill Lynch High Yield Indices: | |
| 10 Yr. T-Note: | 2.41 (-08 bps) | U.S. High Yield: | 6.15 (-03 bps) |
| 30 Yr. T-Bond: | 2.74 (-09 bps) | BB: | 4.64 (-03 bps) |
| | | B: | 6.27 (-06 bps) |

Longer-term Treasury prices rose over the course of the holiday-shortened week. The yield on the benchmark U.S. Treasury note finished the year at 2.409%, roughly in line with where it ended 2016 at 2.446%. The yield curve flattened during 2017 as the spread between the two-year and 10-year U.S. Treasury notes narrowed to about 50 basis points, its narrowest level since 2007. In economic news, U.S. consumer confidence fell slightly from November to December according to the Conference Board Consumer Confidence Index. Despite the decline, consumer confidence remains at historically high levels as November was a 17-year high and this month's reading was the strongest December reading since 2000. Looking ahead to 2018, the Federal Reserve signaled at its December 2017 meeting that it would increase the federal-funds rate three times in 2018. Fed Chairwoman Janet Yellen's term ends February 3, and she is likely to be succeeded by Fed governor Jerome Powell. Major economic reports (related consensus forecasts; prior data) for the upcoming holiday-shortened week include Tuesday: December Final Markit U.S. Manufacturing PMI (55.0, 55.0); Wednesday: December ISM Manufacturing (58.2, 58.2), December 29 MBA Mortgage Applications (--, -.4.9%), November Construction Spending (0.5%, 1.4% MoM); Thursday: December 30 Initial Jobless Claims (248k, 245k), December ADP Employment Change (190k, 190k); Friday: December Change in Nonfarm Payrolls (188k, 228k), November Final Durable Goods Orders (--, 1.3%), December Unemployment Rate (4.1%, 4.1%), November Factory Orders (1.4%, -0.1%), November Trade Balance (-$48.3b, -$48.7b).

| US Equities | | | |
|---|---|---|---|
| Weekly Index Performance: | | Market Indicators: | |
| DJIA: | 24,719.22 (-0.14%) | Strong Sectors: | Real Estate, Utilities, Industrials |
| S&P 500: | 2,673.61 (-0.33%) | | |
| S&P Midcap: | 1,900.57 (-0.16%) | Weak Sectors: | Info Tech, Financials, Telecom |
| S&P Smallcap: | 936.26 (-0.28%) | | |
| NASDAQ Comp: | 6,903.39 (-0.79%) | NYSE Advance/Decline: | 1,624 / 1,433 |
| Russell 2000: | 1,535.51 (-0.42%) | NYSE New Highs/New Lows: | 329 / 66 |
| | | AAII Bulls/Bears: | 52.7% / 26.7% |

Equities ended a strong 2017 lower for the week on light trading volume with the S&P 500 Index notching a 21.8% total return for the year. In 2017, stocks benefited from increased global demand, growth in corporate profits, especially from technology stocks and an accommodative Federal Reserve. In addition, anticipation of lower corporate tax rates and less onerous regulation helped to propel the S&P 500 Index to its ninth consecutive annual gain, including dividends, and best annual gain since 2013. Since the sell-off early in 2016, the Russell 1000 Total Return Index has posted a monthly gain in 21 of the last 22 months. In economic news, more contracts were signed than expected for existing homes in November after jumping 3.5% the previous month. The housing market is benefiting from a strong job market, low rates and tight inventory. In stock news, **Apple Inc.** and a number of suppliers for the iPhone fell after reports **Apple Inc.** may lower next quarter's forecast for the iPhone X. **Chesapeake Energy Corp.** and **Southwestern Energy Co.** gained as U.S. natural gas futures jumped due to the cold winter temperatures and reduced inventories. Looking ahead to next year, earnings growth is projected to be nearly 14% for the S&P 500 Index. Despite higher valuations, equities could continue to see gains if higher profits materialize and global growth continues to improve.