US Economy and Credit Markets

Yields and Weekly Changes:

3 Mo. T-Bill:	2.407 (3.6 bps)	GNMA (30 Yr) 6% Coupon:	105-13/32 (4.31%)
6 Mo. T-Bill:	2.499 (3.4 bps)	Duration:	4.03 years
1 Yr. T-Bill:	2.562 (-1.6 bps)	Bond Buyer 40 Yield:	4.04
2 Yr. T-Note:	2.494 (-2.2 bps)	Crude Oil Futures:	47.96 (+2.63)
3 Yr. T-Note:	2.475 (-2.0 bps)	Gold Spot:	1,286.05 (+5.34)
5 Yr. T-Note:	2.501 (-5.4 bps)	Merrill Lynch High Yield Indices:	
10 Yr. T-Note:	2.668 (-5.0 bps)	U.S. High Yield:	7.73 (-30 bps)
30 Yr. T-Bond:	2.981 (-4.1 bps)	BB:	6.11 (-21 bps)
		B:	8.14 (-34 bps)

Investors welcomed in the New Year with a shortened, albeit event-filled first week. Thursday's weaker-than-expected December ISM Manufacturing Index number raised questions about the strength of the United States economy. US Treasury note yields were down on the news, with the 10-year Treasury note yield and the 30-year Treasury note yield falling to their lowest since January of last year. On Friday, nonfarm payrolls rose 312,000 in December, crushing the consensus expected 184,000. Including revisions to October/November, nonfarm payrolls increased 370,000. The strong jobs data alleviated some concerns of a slowing economy. At the same time in Atlanta, Federal Reserve Chairman Jerome Powell softened his tone by saying policymakers "wouldn't hesitate to make a change" if needed and that the Federal Reserve is listening to the concerns of the market. Treasury yields surged on the news, with the 10-year Treasury note yield recording its biggest single-day gain since November of 2016. Major economic reports (related consensus forecasts, prior data) for the upcoming week include (Factory orders/durables data postponed by government shutdown): Monday: December ISM Non-Manufacturing Index (59.0, 60.7); Tuesday: November Trade Balance (-$54.0b, -$55.5b), November Preliminary Wholesale Inventories MoM (0.5%, 0.8%), November New Home Sales (568k, 544k), November Construction Spending MoM (0.2%, -0.1%), November Factory Orders (0.3%, -2.1%), November Final Durable Goods Orders (n/a, 0.8%); Wednesday: January 4 MBA Mortgage Applications (n/a, -8.5%); Thursday: January 5 Initial Jobless Claims (225k, 231k); Friday: December CPI MoM (-0.1%, 0.0%).

US Equities

Weekly Index Performance:		Market Indicators:	
DJIA:	23,433.16(1.65%)	Strong Sectors:	Energy, Communication Services, Cons. Discretionary
S&P 500:	2,531.94 (1.90%)		
S&P Midcap:	1,684.34 (2.32%)	Weak Sectors:	Utilities, Real Estate Info. Tech
S&P Smallcap:	862.32 (2.66%)		
NASDAQ Comp:	6,738.86 (2.37%)	NYSE Advance/Decline:	2,654 / 434
Russell 2000:	1,380.75 (3.23%)	NYSE New Highs/New Lows:	21 / 158
		AAII Bulls/Bears:	33.0% / 42.8%

Equities closed the New Year holiday shortened week positive, after the S&P 500 Index was up 0.78%. Equities stumbled to start last week after poor economic numbers from China and Europe, as well as weak ISM data from the US. On Friday, U.S. December non-farm payroll data had a large upside surprise with 312k new jobs, while expectations were 184k. Further, Fed Chair Powell indicated a more flexible approach to rate raises in 2019. This was welcomed news and combined with the FOMC expectations of only 2 rate raises this year, down from 3, helped equities soar as the S&P 500 Index was up over 3.3% Friday. **Bristol-Myers Squibb Co.** agreed to acquire **Celgene Corp.** for $50 in cash and a share of the combined company. The combined company, with a market cap over $150b, would be the fourth largest pharma company behind **Johnson & Johnson**, **Pfizer Inc.** and **Merck & Co.** **Apple Inc.** ushered shares lower after reducing their sales guidance from $89b-$93b down to $84b for 1st quarter 2019. The hardware behemoth cited demand issues in China as the main reason for the reduction. Overall, shares fell nearly 9% on Thursday but did recover nearly 3.5% on Friday. Naturally the poor Apple expectations rippled through their parts suppliers as **Skyworks Solutions Inc.** and **Broadcom Inc.** both were over 8% lower Thursday. Despite the bearishness that has befallen equity markets, if job and corporate profit data remain strong, as well as GDP growth and consumer spending this might point to a rebound in equities and provide a firmer growth catalyst going forward.