US Economy and Credit Markets

Yields and Weekly Changes:

3 Mo. T-Bill:	0.056 (2.5 bps)	GNMA (30 Yr) 6% Coupon:	105-26/32 (4.38%)
6 Mo. T-Bill:	0.157 (3.8 bps)	Duration:	3.75 years
1 Yr. T-Bill:	0.267 (2.3 bps)	Bond Buyer 40 Yield:	3.45 (0 bps)
2 Yr. T-Note:	0.688 (5.1 bps)	Crude Oil Futures:	73.79 (2.93)
3 Yr. T-Note:	0.968 (5.0 bps)	Gold Spot:	1,810.26 (12.15)
5 Yr. T-Note:	1.242 (6.7 bps)	Merrill Lynch High Yield Indices:	
10 Yr. T-Note:	1.493 (9.1 bps)	U.S. High Yield:	4.91 (-8 bps)
30 Yr. T-Bond:	1.905 (9.9 bps)	BB:	3.90 (-7 bps)
		B:	5.36 (-10 bps)

Yields rose at almost all points along the US Treasury curve last week as continued uncertainty regarding the latest COVID strain suppressed risk appetites. Last Thursday was the final day markets were open before the anticipated Christmas Holiday, where ostensibly, appetites were not subdued, and on it the New Single-Family Home Sales report showed an increase of 12.4% and a corresponding drop in new home supply inventories. While the headline number was the highest of the year, there were downward revisions to prior months data, and in fact, if October's headline number were unrevised November would have registered a slight decline in sales. All told, new Home Inventories stand at 6.5 months' supply; up from an all-time low of 3.5 in 2020. Also on Thursday, personal incomes were seen rising 0.4% in November but personal consumption outpaced this with a 0.6% gain. Over the past year, income has risen 7.4% but spending has raced ahead 13.5%. The personal consumption expenditure (PCE) index prices expanded 0.6% in November, and are up 5.7% from a year ago. Core prices, excluding food and energy, rose 0.5% in November and are up 4.7% from a year ago. Close attention is expected to remain on inflation numbers such as these into the Federal Reserve's January 25-26 and March 15-16 meetings especially after the Federal Reserve chose to double the pace at which it is winding down its pandemic bond-buying program in its December meeting. It is possible that the bond-buying program could be wound down as soon as March 2022 at which points markets will be highly interested in any possible first-half of 2022 interest rate increases. Major economic reports (related consensus forecasts, prior data) for the upcoming holiday-shortened week include; Wednesday: November preliminary Wholesale Inventories MoM (1.6%), 2.3%); Thursday: December 25 Initial Jobless Claims (N/A, 205k); Friday: December MNI Chicago PMI (62.0, 61.8).

US Equities

Weekly Index Performance:		Market Indicators:	
DJIA:	35,950.56 (1.65%)	Strong Sectors:	Cons. Discretionary, Info. Tech
S&P 500:	4,725.79 (2.3%)		Comm. Services
S&P Midcap:	2,795.82 (2.49%)	Weak Sectors:	Cons. Staples, Real Estate
S&P Smallcap:	1,387.37 (3.15%)		Utilities
NASDAQ Comp:	15,653.37 (3.2%)	NYSE Advance/Decline:	1,553/1,813
Russell 2000:	2,241.58 (3.12%)	NYSE New Highs/New Lows:	110/97
		AAII Bulls/Bears:	29.6%/33.9%

The S&P 500 Index started with a selloff but ended the holiday shortened week with a three-day positive streak to finish up 2.28%. Investors responded negatively on Monday as Senator Joe Manchin (D-WV) announced that he would not support Joe Biden's Build Back Better plan in its current form, to the surprise of many in Washington. Goldman Sachs chief economist indicated he would lower his 2022 GDP estimate by around 1% in the event the bill does not pass. Markets rallied after the Monday selloff as more positive news was released regarding the lower severity of the Omicron variant. Israel became the first country to authorize a fourth vaccine dose to its elderly population while US health officials have not yet authorized a second booster shot, although some experts believe that this new wave may bring the US case count above 1 million per day, over four times the previous record. December has been historically volatile relative to Decembers of past years, the S&P 500 has only moved less than 0.5% in a day a single time this month. All eleven GICS sectors finished the week positively, the best performing sectors were Consumer Discretionary and Information Technology while Utilities and Real Estate performed the worst. The top contributor to the return of the S&P 500 was **Tesla, Inc.** (TSLA, +14.4%) as CEO Elon Musk announced that he had completed his $10B sale of personal stock. **Carnival Corp** (CCL, +16.0%) and **Expedia Group, Inc.** (EXPE, 15.4%) also surged on recent data that travel bookings have been strong despite the initial onset of the Omicron variant. Vaccine manufacturers **Moderna, Inc.** (MRNA, -15.2%) and **Pfizer, Inc.** (PFE, -1.3%) had rough weeks as their shots have not been as effective against Omicron as with Delta. With one week left in the year, the S&P 500 sits at an all time high, up over 27.5% year to date. With a perfect setup for a "Santa Rally", the market index could return over 30% in 2021 if all goes well in the last five trading days of the year.