US Economy and Credit Markets

Yields and Weekly Changes:

3 Mo. T-Bill:	3.607 (-8.8 bps)	Bond Buyer 40 Yield:	4.81 (3 bps)
6 Mo. T-Bill:	3.577 (-10.0 bps)	Crude Oil Futures:	57.44 (-2.64)
1 Yr. T-Bill:	3.516 (-7.4 bps)	Gold Spot:	4,299.63 (+101.85)
2 Yr. T-Note:	3.522 (-3.8 bps)	Merrill Lynch High Yield Indices:	
3 Yr. T-Note:	3.578 (-0.7 bps)	U.S. High Yield:	7.15 (5 bps)
5 Yr. T-Note:	3.742 (3.0 bps)	BB:	6.00 (5 bps)
10 Yr. T-Note:	4.184 (4.9 bps)	B:	7.35 (-4 bps)
30 Yr. T-Bond:	4.845 (5.3 bps)		

Treasury yields ended the week mixed, with short-term maturities drifting lower while longer-dated yields moved higher. On Wednesday, the FOMC lowered the federal funds rate target by 25 basis points at its December meeting, delivering a decision broadly aligned with market expectations. The tone leaned dovish, as the committee sharply upgraded its outlook for economic growth, lowered its inflation projections, and left the dot plot unchanged—together signaling increased confidence in the disinflation trend. The Fed also announced the launch of reserve-management purchases to support smoother market functioning. Fed Chair Powell underscored this cautious optimism by noting that the underlying pace of job growth has recently turned negative, reinforcing the case for a more accommodative policy stance. However, there were also hawkish elements. The policy statement signaled a preference to keep rates on hold for an extended period, a stance Powell implicitly reinforced during his press conference. The U.S. trade balance also added a supportive backdrop. The trade deficit unexpectedly narrowed to $52.8 billion in September—the smallest since mid-2020—driven by a strong $8.4 billion jump in exports, while imports rose a more modest $1.9 billion. Major economic reports (related consensus forecasts, prior data) for the upcoming week include Monday: December Empire Manufacturing (10.0, 18.7); Tuesday: November Change in Nonfarm Payrolls (50k, N/A), November Unemployment Rate (4.5%, N/A), October Retail Sales Advance MoM (0.1%, 0.2%), December Preliminary S&P Global US Manufacturing PMI (52.0, 52.2); Wednesday: December 12th MBA Mortgage Applications (N/A, 4.8%), September Housing Starts (1328k, 1307k), September Construction Spending MoM (0.0%, 0.2%), September New Home Sales (718k, 800k), Thursday: December 13th Initial Jobless Claims (225k, 236k), November CPI YoY (3.1%, N/A); Friday: November Existing Home Sales (4.15m, 4.10m), December Final University of Michigan Sentiment (53.5, 53.3).

US Equities

Weekly Index Performance:		Market Indicators:	
The Dow®	48,458.05 (1.09%)	Strong Sectors:	Materials, Financials, Industrials
S&P 500®	6,827.41 (-0.61%)		
S&P MidCap 400®	3,350.95 (0.95%)	Weak Sectors:	Communication Services, Information Tech, Utilities
S&P SmallCap 600®	1,509.74 (2.04%)		
Nasdaq Composite®	23,195.17(-1.61%)	NYSE Advance/Decline:	1,575 / 1,256
Russell 2000®	2,551.46 (1.21%)	NYSE New Highs/New Lows:	344 / 76
		AAII Bulls/Bears:	44.8% / 30.6%

This year's best-performing stocks reversed course on Friday to drag down the major indexes from their record highs. The S&P dropped over 1% on Friday to close out the week down -0.6%. Friday's selloff was viewed as profit taking from a spectacular run in stocks this year. The positive momentum had been evident on Wednesday after the Federal Reserve announced the third straight interest rate cut this year. Fed officials sent mixed messages following the rate announcement as three members of the Federal Open Market Committee voted against the December cut. **Broadcom** and **Oracle** sent tremors through the market as both companies gave outlooks to their respective influence on the growth of artificial intelligence that were below already high expectations. Oracle's disappointing earnings report on Wednesday was deepened on Friday after the company reported delays to some of its data center projects. The tech giant was the worst performing stock in the S&P 500 last week. From a sector perspective, the year to date leading sectors, information technology and communication services, were down over -2% and -3% respectively. In a reversal of the annual trend, investors rotated out of the high flying AI fueled names and into materials, financials, and industrials stocks. Each of the three sectors in the S&P 500 outperformed the broad index by at least 2% last week. The top performing name in the S&P 500 also dominated many corners of the news last week. **Warner Brothers Discovery** surged almost 15% after Monday's announcement that **Netflix** had offered to buy portions of the company for about $83 billion dollars. The content giant was then outbid by **Paramount Skydance** with a $108 billion dollar takeover bid that was taken directly to the shareholders. Both offers must overcome multiple regulatory and political hurdles to close. Next week, payroll, unemployment, retail sales, housing, CPI and consumer sentiment data are all set for release.