

US Economy and Credit Markets			
Yields and Weekly Changes:			
3 Mo. T-Bill:	2.376 (-3.3 bps)	GNMA (30 Yr) 6% Coupon:	105-09/32 (4.35%)
6 Mo. T-Bill:	2.527 (-0.8 bps)	Duration:	4.05 years
1 Yr. T-Bill:	2.618 (-4.8 bps)	Bond Buyer 40 Yield:	4.09 (-6 bps)
2 Yr. T-Note:	2.639 (-9.4 bps)	Crude Oil Futures:	45.59 (-5.61)
3 Yr. T-Note:	2.619 (-10.1 bps)	Gold Spot:	1,256.94 (+17.92)
5 Yr. T-Note:	2.639 (-9.2 bps)	Merrill Lynch High Yield Indices:	
10 Yr. T-Note:	2.790 (-9.9 bps)	U.S. High Yield:	8.03 (+60 bps)
30 Yr. T-Bond:	3.031 (-11.3 bps)	BB:	6.32 (+44 bps)
		B:	8.46 (+65 bps)

Concerns over a potential government shutdown ended an eventful but fun-starved week in financial markets. The Federal Reserve raised rates, as expected, on December 19th and tempered their forward view of future rate hikes slightly. Markets reacted negatively with concern that the Federal Reserve may not be responsive enough to changes in financial conditions. The official statement noted that unemployment remains low and inflation excluding food and energy remains near 2 percent on a 12-month basis. The statement concluded by noting that "future adjustments to the target range will be based on the committee's assessment of realized and expected economic conditions relative to its maximum employment objective and its symmetric 2 percent inflation objective." Gold continued to rally into the year end and oil further plumbed year-to-date lows amid supply concerns. Monday of last week registered a slight increase of 0.1% in November's reading of the Producer Price Index and no change to November's Consumer Price Index. Tuesday's November Housing Starts report showed a 3.2% increase for the month and on Wednesday markets received news of an increase of 1.9% in Existing Home Sales. Friday's reports included November's personal income reading rising 0.2% for the month, third quarter Real GDP Growth being revised to a 3.4% annual rate and November new orders for Durable Goods increasing 0.8% in the prior month. Major economic reports (related consensus forecasts, prior data) for the upcoming holiday-shortened week include Thursday: December 22 Initial Jobless Claims (216k, 214k), November new home sales (569k, 544k) and December Conference Board Consumer Confidence (133.2, 135.7); Friday: November preliminary wholesale inventories (N/A, 0.8%) and December Chicago Purchasing Manager (61.0, 66.4).

US Equities			
Weekly Index Performance:		Market Indicators:	
DJIA:	22,445.37 (-6.87%)	Strong Sectors:	Utilities, Materials, Financials
S&P 500:	2,416.62 (-7.03%)	Weak Sectors:	Energy, Consumer Discretionary Information Technology
S&P Midcap:	1,611.35 (-6.99%)	NYSE Advance/Decline:	676 / 2,349
S&P Smallcap:	809.61 (-7.77%)	NYSE New Highs/New Lows:	2 / 1,058
NASDAQ Comp:	6,333.00 (-8.34%)	AAII Bulls/Bears:	24.9% / 47.3%
Russell 2000:	1,292.09 (-8.39%)		

Investors looking for a Santa Claus rally were disappointed last week as the S&P 500 traded down by over 7%. Oil fell below \$50 to close out the week at just over \$45 a barrel. The move in oil is the worst weekly move in almost three years and is raising concern that weakening economic growth coupled with increased US supply will lead to a surplus of barrels next year. A potential government shutdown is also on the table with President Trump using it as leverage to get a budget deal passed in the Senate. Fed Chairman Jerome Powell promised to be more cautious in 2019 after the fed raised the target range for the federal funds rate a quarter point on Wednesday. In the S&P 500, only six companies posted positive returns last week. A bright spot in the index was **General Mills Inc.** The company posted better than expected profit and the stock surged the most intraday since 1987. Coming off a multi-year low, **General Electric** had a weekly bounce of just under 1% after an analyst upgrade pointed to near-term liquidity propping up future equity value. The company confidentially filed for an initial public offering of its health care unit, with a public filing expected to happen next spring. One of the worst performing stocks last week was **Conagra Brands**. Sales from newly acquired Pinnacle Foods fell short of expectations after weak results from several of its brands and a recall. Looking ahead to next week, the barometer on the state of the job market will be released on Thursday along with new home sales.

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