



THE WEEK IN REVIEW

Janet Yellen told Congress this week she regarded domestic economic conditions sufficiently strong to start raising the Fed's benchmark interest rate later this month. The Federal Reserve chairwoman made her final public remarks on Thursday before the Fed's policy-making committee meets December 15 and 16, and did nothing to diminish expectations that the Fed will end a seven-year stretch of near zero-rates. During her testimony, Yellen affirmed the Fed's inclination to press ahead even as the European Central Bank (ECB) announced it would cut rates and extend its stimulus. Yellen stated that the Fed would likely raise rates slowly once it started, in part because of the different paths of the world's major central banks.

The U.S. economy created 211,000 jobs in November, the government reported Friday, a robust showing that all but guaranteed policy makers at the Federal Reserve would raise rates in December. The unemployment rate held steady at 5%, unchanged from October. The big gain in hiring reported for October was revised upward by 18,000 jobs, and September's weaker payroll performance was revised upward by 8,000. The labor market strength evident in the November data removes the last major obstacle before the Fed's upcoming decision.

The number of Americans filing for first-time unemployment benefits rose last week, but remained at a historically low level. Initial jobless claims, a proxy for layoffs across the U.S., increased by 9,000 to a seasonally adjusted 269,000 in the week ended November 28, according to the Labor Department. The four-week moving average of claims, which evens out weekly ups and downs, fell by 1,750 to 269,250 last week as well.

Despite being only four days in, December has been a bruising month for bond traders. The value of the U.S. fixed income market slid by \$162.5 billion on Thursday, while the euro area's shrank by the equivalent of \$107.5 billion as the smaller-than-expected stimulus boost by the ECB and the hawkish comments from Yellen pushed up yields around the world.

The Organization of the Petroleum Exporting Countries (OPEC) maintained its policy of pumping near-record volumes of oil at a meeting on Friday, taking no steps to reduce one of the worst crude gluts in history. The group, which controls a third of the world's oil supplies, decided to increase its collective output ceiling to 31.5 million barrels per day from the previous 30 million.

| INDEX | LEVEL | WEEK | YTD | 12 MO |
|-------------------------------|-----------|-------------|-----------------|-----------------|
| DJ Industrial Average | 17,847.63 | 0.28% | 0.14% | -0.29% |
| NASDAQ | 5,142.27 | 0.29% | 8.58% | 7.82% |
| S&P 500 LargeCap | 2,091.69 | -0.23% | 1.59% | 0.95% |
| S&P 400 MidCap | 1,449.08 | -1.41% | -0.23% | 0.51% |
| S&P 600 SmallCap | 700.33 | -1.30% | 0.76% | 3.23% |
| MSCI EAFE | 1,740.66 | -0.31% | -1.93% | -4.90% |
| MSCI Emerging Markets | 819.25 | -0.86% | -14.33% | -16.99% |
| Barclays Aggregate US | | -0.41% | 0.40% | 0.78% |
| Bloomberg Non-US Govt Bond | | -0.57% | -1.67% | -1.81% |
| Bloomberg US Treasury Index | | -0.44% | 0.55% | 1.30% |
| Bloomberg High Yield Index | | -0.01% | -0.77% | -1.82% |
| FTSE/NAREIT All REIT Index | | -1.23% | -2.96% | -2.57% |
| Bloomberg Commodity Index | | 0.75% | -21.69% | -27.18% |
| KEY BOND RATES | | WEEK | 1 MO AGO | 1 YR AGO |
| 3-Month T-Bill | | 0.23% | 0.05% | 0.02% |
| 2-Year Treasury | | 0.97% | 0.84% | 0.55% |
| 5-Year Treasury | | 1.71% | 1.64% | 1.59% |
| 10-Year Treasury | | 2.28% | 2.25% | 2.25% |
| 30-Year Treasury | | 3.01% | 3.00% | 2.94% |
| Municipal Bond Yields (10 Yr) | | 2.06% | 2.13% | 2.13% |

Price return as of the last available closing data. Source data: Bloomberg and Morningstar are believed to be correct but not verified.

UPCOMING WEEK

Economic data will be limited to only a few releases next week. On Tuesday the Bureau of Labor Statistics' Job Openings and Labor Turnover Survey (JOLTS) will be published. Friday will be the busiest in terms of economic news with Final Demand PPI, Retail Sales, Business Inventories, and Consumer Sentiment all scheduled for release.

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