



THE WEEK IN REVIEW

Domestic and international equity markets both declined this week with the S&P 500 and Dow Jones each dropping nearly 3%. The bond market helped cushion some of the decline as aggregate bonds, investment-grade bonds, and longer-duration Treasuries were positive on the week. High-yield bonds continued to struggle as many companies have been adversely impacted by further declines in energy prices following OPEC's decision to keep production flowing.

In deal news, Dow Chemical and DuPont announced plans for a merger in an all-stock deal, with the combined company – to be called DowDuPont – valued around \$130 billion; both stocks rose sharply this week but gave some back at week's end.

The NFIB Small Business Optimism declined this month and remains well below its 42-year average. Overall, the NFIB report suggests that Q4 GDP growth may likely be 2.5%, or less. The report showed that actual compensation changes moved slightly higher but are still range bound, while compensation plans looking ahead three months hit the highest level since 2010. The Job Openings and Labor Turnover Survey (JOLTS) was also released this week and showed little change from the previous month. However, the report showed that net employment gained 2.7 million in the 12 months ending October 2015.

Consumer sentiment was released Friday. The index rose to 91.8, a touch lower than expectations of 92.0, but still an improvement from November's reading. However, the expectations fell to 82.0, indicating that polled respondents still have some trepidation regarding the outlook for long-term employment. Noteworthy from Friday's report is that all of the early December gain was recorded by households with incomes in the bottom two-thirds, while the index among consumers in the top third declined. This is moderately encouraging because households in the bottom two-thirds of the income distribution are those more heavily sensitive to rising wages and improving labor market conditions. The sentiment of those in the upper third may be less optimistic as equity markets have declined recently.

U.S. producer prices rose in November thanks in large part to the service sector. The seasonally adjusted 0.3% increase this month is the biggest gain since June and exceeded economists' expectations. Unfortunately, producer prices are down 1.1% since the year ago period, dragged down by prices for final demand for goods, which is heavily impacted by energy prices. The positive takeaway is that service prices accelerated and goods prices declined less sharply than the previous four months.

INDEX	LEVEL	WEEK	YTD	12 MO
DJ Industrial Average	17,265.21	-3.26%	-3.13%	-1.88%
NASDAQ	4,933.47	-4.06%	4.17%	4.79%
S&P 500 LargeCap	2,012.37	-3.89%	-2.26%	-1.13%
S&P 400 MidCap	1,389.16	-4.23%	-4.36%	-2.28%
S&P 600 SmallCap	666.08	-4.89%	-4.17%	-1.00%
MSCI EAFE	1,705.53	-1.51%	-3.91%	-4.58%
MSCI Emerging Markets	789.02	-2.86%	-17.49%	-16.60%
Barclays Aggregate US		0.08%	0.78%	0.97%
Bloomberg Non-US Govt Bond		-0.49%	-2.19%	-1.43%
Bloomberg US Treasury Index		0.22%	1.04%	1.17%
Bloomberg High Yield Index		-1.30%	-2.22%	-1.71%
FTSE/NAREIT All REIT Index		-2.31%	-5.05%	-5.01%
Bloomberg Commodity Index		-4.01%	-24.83%	-29.15%
KEY BOND RATES		WEEK	1 MO AGO	1 YR AGO
3-Month T-Bill		0.23%	0.13%	0.03%
2-Year Treasury		0.88%	0.87%	0.62%
5-Year Treasury		1.56%	1.72%	1.62%
10-Year Treasury		2.13%	2.32%	2.19%
30-Year Treasury		2.87%	3.10%	2.84%
Municipal Bond Yields (10 Yr)		2.08%	2.20%	2.09%

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

UPCOMING WEEK

Next week is the highly anticipated Fed meeting. Also next week updated readings on GDP, inflation, and personal income and spending will be released. Each of these reports, although released after the Fed's meeting, will have important implications for the future of Fed policy, interest rates, and markets.

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