

**ECONOMIC REVIEW**

- **Initial jobless claims** climbed 11.8% to 589,000 for the week ending December 17<sup>th</sup> from 527,000 the previous week. This matches the highest level of jobless claims in 26 years. Retailers are coming off the worst holiday sales season in over 40 years, manufactures remain in a downturn and other sectors are contributing to mounting job losses. Projections are that employment will continue to weaken throughout the year. The four-week moving average remained unchanged at 519,250. The total number of people collecting jobless benefits rose 97,000 to 4.607 million for the week ended January 10<sup>th</sup>.
- An index of consumer confidence weakened to a negative 53 for the week ending January 18<sup>th</sup> from negative 49 the prior week according to **ABC News/Money magazine**. A reading below zero means the number of negative responses is greater than the number of positive responses.
- The **National Association of Home Builders/Wells Fargo index** of builder confidence dropped to a record low of 8 in January from 9 in December. A reading below 50 means most respondents view conditions as poor. Builders are trying to reduce inventory by slashing construction as foreclosures bring more houses into the market. Prices and sales are likely to continue to fall as banks continue to be reluctant to lend and job losses discourage buyers.
- **Housing starts** dropped 16% in December to an annual rate of 550,000 that was less than forecast and the lowest since the government started compiling statistics in 1959. Builders are slashing prices to compete with a record number of foreclosed homes coming onto the market. This rate is worse than the forecasted annual pace of 605,000 and lower than November's revised pace of 651,000. **Building permits**, an indicator of future activity, fell 11% in December to a 549,000 annual pace.
- The **House price index** report from the Federal Housing Finance Agency indicated the price of purchase-only homes fell another 1.8% in November. This is the 9<sup>th</sup> consecutive decline in the price of purchased homes.
- The **MBA index of mortgage applications** fell 9.8% to 1,195 for the week ended January 16<sup>th</sup>, after rising 15.8% the previous week. **Refinancing applications** fell 12.4% to 6,492 from 7,414 the prior week. **Home purchase mortgage applications** rose 2.5% to 303.1 from 295.8. The **average contract rate** on a 30-year fixed-rate mortgage rose to 5.24% from 4.89% the previous week.

**BOND MARKET REVIEW**

- ♣ Friday's yields for the 2-, 5-, 10- & 30-year Treasury benchmarks securities were 0.80%, 1.63%, 2.62%, and 3.33%. The 2yr/5yr, 5yr/10yr, 10yr/30yr and 2yr/30yr spreads closed at 83, 99, 71, and 253 basis points respectively.

**ECONOMIC / EVENTS CALENDAR**

<b>Monday</b>	(Jan 26)	Dec Leading Indicators (-0.2%)	9:00	Central
		Dec Existing Home Sales (4.40M)	9:00	Central
		Dec Existing Home Sales - MoM (-2.0%)	9:00	Central
		Jan Dallas Fed Manufac Activity (-50.5)	9:30	Central
<b>Tuesday</b>	(Jan 27)	Jan Consumer Confidence (39.0)	9:00	Central
		Jan Richmond Fed Manufact Index (-50)	9:00	Central
		Jan 25 <sup>th</sup> ABC Consumer Confidence (-53)	16:00	Central
<b>Wednesday</b>	(Jan 28)	Jan 23 <sup>th</sup> MBA Mortgage Applications	6:00	Central
		FOMC Rate Decision (0.25%)	13:15	Central
<b>Thursday</b>	(Jan 29)	Jan 24 <sup>th</sup> Initial Jobless Claims (575K)	7:30	Central
		Dec Durable Goods Orders (-2.0%)	7:30	Central
		Dec Durables Ex Transportation (-2.7%)	7:30	Central
		Dec New Home Sales (397K)	9:00	Central
		Dec New Home Sales – MoM (-2.5%)	9:00	Central
<b>Friday</b>	(Jan 30)	4 <sup>th</sup> Qtr GDP (Annualized) – QoQ (-5.5%)	7:30	Central
		4 <sup>th</sup> Qtr Personal Consumption (-3.5%)	7:30	Central
		4 <sup>th</sup> Qtr GDP Price Index (0.4%)	7:30	Central
		4 <sup>th</sup> Qtr Employment Cost Index (0.7%)	7:30	Central
		Jan Chicago Purchasing Manager (35.0)	8:45	Central
		Jan Final Univ of Michigan Confidence Index (61.9)	9:00	Central
		Jan NAPM – Milwaukee	9:00	Central

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