

## Economic Review

- The Labor Department reported that **Initial jobless claims** rose 5.9% to 377,000 for the week ending January 21<sup>st</sup> from a four-year low of 356,000 the previous week. The jump reflects seasonal volatility rather than a rise in jobless claims. The four-week moving average fell 2,500 to 377,500 from 380,000. The total number of people collecting jobless benefits rose 88,000 to 3.554 million for the week ended January 14<sup>th</sup>.
- The Federal Housing Finance Agency reported that the **FHFA House Price Index** rose 1.0% in November after falling 0.7% the prior month. The index is a summary of the monthly purchase-only home prices.
- The index of **pending home resales** fell 3.5% in December after jumping a combined 18% in October and November according to the National Association of Realtors. The ability of the housing market to sustain gains in the absence of government incentives indicates positive momentum.
- The Commerce Department reported **durable goods orders** rose in December as the need to replenish depleted inventories and update equipment spurred production. Orders meant to last at least 3 years rose 3.0% in December after rising 4.3% the prior month. **Excluding transportation**, durable orders rose 2.1% after gaining 0.5% in November.
- The **index of leading economic indicators** rose in December, gaining 0.4% after gaining 0.2% in November. The pace suggests the economy will continue to grow into 2012. The **coincident index**, a gauge of current economic activity, rose 0.3% in December after gaining 0.1% the prior month.
- **New home sales** unexpectedly fell 2.2% in December to an annual pace of 307,000 according to the Commerce Department. This compares to a 314,000 annual pace in November. In 2011, builders sold 302,000 homes, down 6.2% from 2010.
- The first estimate by the Commerce Department of **gross domestic product** showed the economy grew at a 2.8% annual pace in the 4<sup>th</sup> quarter, up from 1.8% in the 3<sup>rd</sup> quarter. Restrained spending held growth below expectations, but still recorded the best quarter of 2011.
- The **University of Michigan's final index of consumer sentiment** rose in January to the highest level in almost a year. The index rose to 75.0 in January from 69.9 the previous month. The **index of current conditions** rose to 84.2 from 79.6 the prior month while the **index of expectations** rose to 69.1 in January from 63.6 the prior month.
- The **MBA index of mortgage applications** fell 5.0% to 775.6 for the week ended January 20<sup>th</sup>, after gaining 23.1% the previous week. **Refinancing applications** fell 5.2% to 4,265 from 4,501 the prior week. **Home purchase mortgage applications** fell 5.4% to 184.8 from 195.4. The **average contract rate** on a 30-year fixed-rate mortgage rose to 4.11% from 4.06% the previous week.

### BOND MARKET REVIEW

- Friday's yields for the 2-, 5-, 10- & 30-year Treasury benchmarks securities were 0.21%, 0.75%, 1.90%, and 3.06%. The 2yr/5yr, 5yr/10yr, 10yr/30yr and 2yr/30yr spreads closed at 54, 115, 116, and 285 basis points respectively.

## Economic/Events Calendar

Monday	January 30	Dec Personal Income (0.4%) Dec Personal Spending (0.1%)	7:30 Central 7:30 Central
Tuesday	January 31	4 <sup>th</sup> Qtr Employment Cost Index (0.4%) Nov S&P/CaseShiller Home Price Index (-0.50%) Jan Chicago Purchasing Manager (63.0) Jan Consumer Confidence (68.0) Jan NAPM – Milwaukee (57.5)	7:30 Central 8:00 Central 8:45 Central 9:00 Central 9:00 Central
Wednesday	February 1	Jan 27 <sup>th</sup> MBA Mortgage Applications Jan ADP Employment Change (183K) Dec Construction Spending (0.5%) Jan ISM Manufacturing (54.5)	6:00 Central 7:15 Central 9:00 Central 9:00 Central
Thursday	February 2	Jan 28 <sup>th</sup> Initial Jobless Claims (370K) 4 <sup>th</sup> Qtr Prelim Nonfarm Productivity (0.8%) 4 <sup>th</sup> Qtr Prelim Unit Labor Costs (0.9%)	7:30 Central 7:30 Central 7:30 Central
Friday	February 3	Jan Change in Nonfarm Payrolls (150K) Jan Unemployment Rate (8.5%) Jan ISM Non-Manufacturing Index (53.2) Dec Factory Orders (1.5%)	7:30 Central 7:30 Central 9:00 Central 9:00 Central

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