

THE ECONOMY

Consumer Inflation Unchanged in December; Housing Data Scattered

The Labor Department reported consumer inflation held steady in December as energy prices inched down 1.3 percent last month and food prices increased 0.2 percent. On a year-to-year basis, food and energy prices have increased 4.7 percent and 6.6 percent, respectively. Overall consumer inflation rose 3.0 percent in 2011.

Core inflation, which excludes the food and energy sectors, increased 0.1 percent in December resulting in a 2.2 percent annual increase in 2011.

Earlier in the week, the government reported wholesale inflation fell 0.1 percent last month but increased 4.8 percent for the year. Core prices at the wholesale level rose 3.0 percent.

There's good and bad news in the housing front. The National Association of Realtors reported this morning that existing home sales increased 5.0 percent in December to an annual rate of 4.61 million units, the third consecutive monthly gain and a level that keeps growth above last year's performance.

Total housing inventory fell 9.2 percent with current levels representing a 6.2-month supply given the current pace of sales, down from November's 7.2-month supply reading.

But total housing starts fell 4.1 percent last month to an annual rate of 657,000 units. This reflects a 20.4 percent decline in the construction of multi-family units and a 4.4 percent increase in single-family starts. On a year-to-year basis, single-family starts posted a sharp 10.2 percent increase.

Data on new home sales will be released next week with expectation that it will show a slight increase in December. Sales rose 1.6 percent in November but annual sales were on pace to be the worst year for sales dating back to 1963.

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THE MARKETS

Equity and Commodity Market

Indicator	19-Jan	12-Jan	Change	YE-2010
Dow Jones	12,624.0	12,471.0	153.00	11,577.5
NASDAQ	2,788.3	2,724.7	63.63	2,652.9
S&P	1,314.5	1,295.5	19.00	1,257.6
Gold	1,654.50	1,647.70	6.80	1,423.60
CRB Index	488.00	482.72	5.28	520.30
Crude Oil	100.39	99.10	1.29	92.91
Eff. Fed Funds	0.10%	0.08%	0.02%	0.16%
1-Mo. LIBOR	0.28%	0.29%	-0.01%	0.26%
6-Mo. LIBOR	0.79%	0.80%	-0.01%	0.46%
11th DCOFi	1.20%	1.20%	NC	1.51%
Prime Rate	3.25%	3.25%	NC	3.25%
48-mo Auto	3.41%	3.41%	NC	4.05%
60-mo Auto	3.53%	3.53%	NC	4.25%
15Y FR Mtg	3.17%	3.16%	0.01%	4.20%
30Y FR Mtg	3.88%	3.89%	-0.01%	4.86%

Treasury Yields

Term	Yesterday 19-Jan	Last Week 12-Jan	Year-end Dec-10	Last Year 1/19/2011
Eff Fed Funds	0.10%	0.07%	0.13%	0.18%
3 Months	0.04%	0.02%	0.12%	0.15%
6 Months	0.06%	0.05%	0.18%	0.18%
1 Year	0.10%	0.10%	0.26%	0.25%
2 Years	0.23%	0.23%	0.59%	0.57%
3 Years	0.36%	0.36%	0.99%	0.98%
5 Years	0.86%	0.83%	2.07%	1.93%
10 Years	1.98%	1.92%	3.29%	3.34%
30 Years	3.04%	2.97%	4.33%	4.53%
Spreads:				
3m to 2yr	0.19%	0.21%	0.47%	0.42%
2yr to 10yr	1.74%	1.69%	2.70%	2.77%
3m to 10yr	1.94%	1.90%	3.17%	3.19%

Indicative CD, Agency and CMO Spreads*

Term	(Index)	SimpliCD**	Agency Bullets	Agency Calls	Agency CMOs
3M	0.04%	-	0.02%	-	-
6M	0.06%	-0.01%	0.04%	-	-
1Yr	0.10%	0.37%	0.07%	-	-
2Yrs	0.23%	0.57%	0.14%	0.25%	1.10%
3Yrs	0.36%	0.79%	0.17%	0.27%	1.16%
4Yrs	0.61%	-	0.21%	0.29%	1.02%