

THE ECONOMY

Personal Income and Spending Show Modest Increases in November

The Commerce Department reported both personal income and spending each increased 0.1 percent in November. As a result, real disposable income decreased less than 0.1 percent in contrast to a 0.3 percent increase in October.

Private wages and salaries decreased \$7.1-billion last month. This pales in comparison with the \$37.2-billion increase in October. Personal outlays increased \$13.1-billion compared with an increase of \$11.4-billion in October.

Personal savings, disposable income less personal outlays, fell \$18.3-billion last month, dropping the personal savings rate from 3.6 percent to 3.5 percent.

The news sends mixed signals to the market coming off the heels of encouraging retail sales data. Through the first part of the holiday season, sales appear to be on a 15 percent growth trend as consumers, having sat on their wallets over the past couple of years and instead have been reducing their debt burden, now have some breathing room to spend again.

But that trend appears to be short-lived, with sales already starting to subside. This will certainly deviate from the stable growth that the economy is looking for.

Earlier this week the government revised downward its estimate for third quarter GDP to 1.8 percent. Many expect fourth quarter growth will improve to 2.75 percent putting 2011's 1.80 percent annual growth slightly more than half of 2010's 3.00 percent performance.

Initial estimates for 2012 put GDP growth at 2.10 percent.

Whoever's projection one wants to follow, the economic environment in 2012 most likely will be only slightly improved from 2011 – at least that's how it is going to feel. Statistical releases will show improvement, but given the depth of the recent decline, we still have a long way to go.

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THE MARKETS

Equity and Commodity Market

Indicator	22-Dec	15-Dec	Change	YE-2010
Dow Jones	12,169.7	11,868.8	300.90	11,577.5
NASDAQ	2,599.5	2,541.0	58.44	2,652.9
S&P	1,254.0	1,215.8	38.25	1,257.6
Gold	1,610.60	1,577.20	33.40	1,423.60
CRB Index	476.67	474.54	2.13	520.30
Crude Oil	99.53	93.87	5.66	92.91
Eff. Fed Funds	0.07%	0.07%	NC	0.17%
1-Mo. LIBOR	0.29%	0.28%	0.01%	0.26%
6-Mo. LIBOR	0.80%	0.78%	0.02%	0.46%
11th DCOFI	1.22%	1.22%	NC	1.51%
Prime Rate	3.25%	3.25%	NC	3.25%
48-mo Auto	3.43%	3.44%	-0.01%	4.05%
60-mo Auto	3.55%	3.55%	NC	4.25%
15Y FR Mtg	3.21%	3.21%	NC	4.20%
30Y FR Mtg	3.91%	3.94%	-0.03%	4.86%

Treasury Yields

Term	Yesterday 22-Dec	Last Week 15-Dec	Year-end Dec-10	Last Year 12/22/2010
Eff Fed Funds	0.07%	0.07%	0.13%	0.20%
3 Months	0.00%	0.00%	0.12%	0.13%
6 Months	0.02%	0.04%	0.18%	0.19%
1 Year	0.11%	0.11%	0.26%	0.28%
2 Years	0.28%	0.24%	0.59%	0.63%
3 Years	0.41%	0.37%	0.99%	1.05%
5 Years	0.91%	0.85%	2.07%	2.00%
10 Years	1.95%	1.91%	3.29%	3.35%
30 Years	2.98%	2.92%	4.33%	4.45%
Spreads:				
3m to 2yr	0.28%	0.24%	0.47%	0.50%
2yr to 10yr	1.67%	1.67%	2.70%	2.72%
3m to 10yr	1.95%	1.91%	3.17%	3.22%

Indicative CD, Agency and CMO Spreads*

Term	(Index)	SimpliCD**	Agency Bullets	Agency Calls	Agency CMOs
3M	0.00%	-	0.07%	-	-
6M	0.02%	0.00%	0.09%	-	-
1Yr	0.11%	0.36%	0.10%	-	-
2Yrs	0.28%	0.43%	0.17%	0.29%	1.00%
3Yrs	0.41%	0.77%	0.27%	0.37%	1.25%
4Yrs	0.66%	-	0.30%	0.44%	1.16%