THURSDAY DECEMBER 10, 2015

	PRICE	CHANGE	VOLUME	UP/DN %	UP/DN VOL %
Dow:	17,574.75	+82.45	3.72	97	148
Nasdaq:	5,045.17	+22.31	1.75	115	218
S&P 500:	2,052.23	+4.61			
10 yr note:	2.23%	-1bps			
Volatility:	19.34	+0.27			
EUR-USD:	1.094	-0.08	Crude Oil:	36.76	-0.39
USD-JPY:	122.09	+0.54	CRB-Com:	177.02	-0.53

S&P 500 THURSDAY

While markets managed to gain today, halting a 3-day slide, weak internals, light volume and a paltry 1.3% drop in volatility highlight investors continued unease. The Dow (+0.5%) outpaced gains in the Nasdaq (+0.4%) and S7P 500 (+0.2%). The energy sector (+0.6%) helps sustain gain in the S&P 500 despite being 8% lower so far this month. These gains came despite WTI crude (-1.1%) hitting its lowest level since 2009 as OPEC pumped the most oil in 3 years during November while reporting lower than expected demand.

Global stocks fell marginally with the Shanghai Composite (-0.5%) and Nikkei (-1.3%) fell. The Euro Stoxx 600 (-0.3%) dropped for its 3rd day, as the Bank of England voted to leave rates unchanged at 0.5%. Asian and European markets have dropped in excess of 2% so far this week, outpacing the S&P 500's 1.8% drop. The Euro fell 0.8% against the dollar but remains 3.6% higher so far this month.

The yuan continues to fall, hitting 6.414/$ yesterday, its lowest level since August 2011. The Chinese government has spent billion to prop up their currency (see 12/8/15), nevertheless the yuan has fallen 3.4% since the eve of its August 10 devaluation when it fell 2%. Sentiment is overwhelmingly bearish in the near term, as Beijing has vowed to the IMF it will make the currency more market-driven despite worries over further capital outflows.

Further evidence of a deterioration in high-yield bonds (see 12/7/15), Third Avenue Management's $789 million Focused Credit Fund halted investors halted investor withdrawals citing poor bond market trading conditions. The mutual fund is down 27% so far this year. All 30 of the largest high-yield bond funds have lost money this year (WSJ). Mutual fund high-yield bond assets peaked at $305 billion in June 2014 and have since faced months of redemptions, including $3.3 billion in November.

Despite high yield provocations, a recent WSJ poll of economists showed average expectations for GDP rising to 2.6% next year from 2.2% growth this year. Similarly the employment rate will fall to 4.7% by the end of 2016, factoring in a forecasted 4-interest rate increases until then (including December). Global headwinds are cited as the greatest concern.

Household wealth fell (-$1.2 trillion) from the second quarter's record $86.4 trillion (see 9/18/15). The decline came entirely from a decline in stocks (-$2.3 trillion) while the value of real estate (+$482 billion), checking & savings (+$132 billion) and bond (+$3.4 trillion) gained. While headline wealth fell in the third quarter, the overall value of household's real estate (see 11/23/15) gained to a record $25 trillion, surpassing its previous 2006 peak ($24.8 trillion). Despite such gains, consumption remains dormant given a diminished wealth effect due to lingering shock from the financial crisis.

ECONOMIC REPORTS:

November Import & Export Prices: -0.4%; -0.6%. Cross boarder price pressures continue to weaken, suggesting further disinflationary pressures in tomorrow PPI report. Annually, import price have fallen 9.4%, their 16th consecutive decline, while export prices have fallen 6.3%. The price of imported petroleum has fallen 44.5% over the same period. The EIA estimates Americans who heat their house with oil will save $600 this winter (WSJ), further stimulating consumer confidence and spending.

Weekly Jobless Claims: +13,000 to 282,000. Jobless claims weaken again, pulling back from July's 255,000, 30-year low. While this is the highest reading since July, employment conditions remain tight as reported in last week's Beige book. The 4-week average gained 1,500 to 270,750, higher than month ago comparisons. This weakness points to a less strong December employment report, being the third sample week for the government's report.

Continuing claims, lagging by a week, gained again (+82,000) to 2.243 million, leading its 4-week average higher (+16,000 to 2.183 million). While the 4-week average is now 20,000 higher over the past month, it still remains very near its 15-year low hit this summer.

Weekly Bloomberg Consumer Sentiment: +0.5 to 40.1. Consumer confidence rebound over the past week but has remained flat since October's 15-year high.