



## FRIDAY JANUARY 15, 2016

	PRICE	CHANGE	VOLUME	UP/DN %	UP/DN VOL %
Dow:	15,988.08	-390.97	<b>5.48</b>	19	13
Nasdaq:	4,488.42	-126.59	<b>2.83</b>	22	12
S&P 500:	1,880.33	-41.51			
10 yr note:	2.03%	-7bps			
Volatility:	27.02	+3.07			
EUR-USD:	1.091	+0.005	Crude Oil:	29.42	-1.78
USD-JPY:	117.34	-0.80	CRB-Com:	159.93	-3.19



	WEEK:	YTD:
DOW:	-2.16%	-8.16%
NASDAQ:	-3.34%	-10.36%
S&P 500:	-2.15%	-7.93%
RUSSELL 2000:	-3.66%	-11.25%

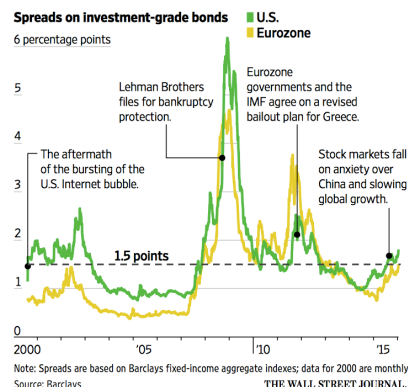
Markets capitulate into the holiday weekend as the Dow plummets as much as 537 points at one point during trading. The Nasdaq (-2.7%) led declines in the Dow (-2.4%) and S&P 500 (-2.2%) today. Risk aversion continues to shift capital from equities, commodities and into haven currencies and treasuries. Treasuries dipped below 2% intraday for the first time since October. Volatility (+12.8%) jumps today, rising 6.8% on the week.

Citigroup (-6.4%) dropped the most in 4 years despite reporting its largest annual profit in nearly a decade today. The KBW Bank Index (-13%) has underperformed the broader index (-8%) so far this year as market turmoil has lowered rates and rate hike expectations. Chances of a March hike have fallen 15 percentage points to 35% over the past 3 days, leaving June (54% chance) as the most probable date for the Fed's next rate hike. Nevertheless there is the possibility that the Fed may not raise rates at all this year, with December Fed funds futures pricing a 94% chance of a rate hike in 2016, down from 100% last week (WSJ).

Oil (-5.7%) fell to its lowest level since November 2003 as traders anticipate Iranian supply coming on line as early as Saturday once sanctions are lifted. WTI oil has fallen 20% so far this year and 52% from its 2015 peak. Brent crude (-6.3%) also closed below \$30 at \$28.94.

China's Shanghai Composite (-3.5%) also fell heavily today, -18% so far this year and -20% from a recent high in late December.

European Credit spreads rose above 150bps today, jumping 20bps so far this year (WSJ). US credit spreads have been above 150bps since July, however most of the deterioration has been contained to the energy and mining sector. US junk-rated companies defaulted at a 3.4% rate in 2015 versus a 0.7% rate in Europe, although both measures are expected to rise this year (Fitch Ratings). Given increasing market uncertainty, global debt sales have fallen 19% so far this year (compared to last year), the weakest start since 2002 (Dealogic).



## ECONOMIC REPORTS:

**December Producer Prices:** -0.2%. Headline prices pulled back in December despite a 10bps gain to -1.0% annually. Core prices conversely gained 0.1% but their annual measure fell 20bps to +0.3%. Producer price pressures remain weak throughout the broader economy, indicating possible economic slack as well as lower rate expectations this year.

**December Retail Sales:** -0.1%. Despite reports of rampant online shopping, retail sales disappointed for the final month of 2015. Likewise sales excluding autos (-0.1%) and both autos & gas (unchanged) missed expectations. US retail sales gained 2.1% over the full year, their weakest annual growth since the end of the recession in 2009.

**January Empire State Manufacturing:** -14.78 to -4.59. The manufacturing rout worsens as global growth worries persist into the New Year. This is the lowest reading for this region since April 2009, a poor indication for economic activity early in the quarter.

**December Industrial Production:** -0.4%. Industrial production continues to fall, dragged down by persistent weakness in utility production (-2%) due to an unseasonably warm winter. Mining (-0.8%) and manufacturing (-0.1%) production also fell in December. Annually, overall production has fallen 1.8%, as weakness in utilities (-6.9% annually) and mining (-11.2% annually) offsets a marginal increase in manufacturing (+0.8% annually).

**November Business Inventories:** -0.2%. Relative to sales, which also fell 0.2% in November, the inventory to sales ratio remained at 1.38, indicating little help from inventories for fourth quarter GDP.