



## TUESDAY DECEMBER 29, 2015

	PRICE	CHANGE	VOLUME	UP/DN %	UP/DN VOL %
Dow:	17,720.98	+192.71	<b>2.54</b>	287	380
Nasdaq:	5,107.94	+66.95	<b>1.38</b>	250	309
S&P 500:	2,078.36	+21.86			
10 yr note:	2.31%	+9bps			
Volatility:	16.08	-0.83			
EUR-USD:	1.093	-0.004	Crude Oil:	37.87	+1.06
USD-JPY:	120.51	+0.23	CRB-Com:	177.34	+2.88



Markets gain on higher volume as last week's short covering / bargain hunting continues with only 2 more trading days left in the year. Nevertheless the volume was very light compared to its year to date average. Indicative of recent bargain / short covering that has dominated these holiday-shortened weeks: 7 of today's top 10 gainers are down by double-digit percentages this year (WSJ). Similarly beleaguered high yield (HYG: +0.6%) continued to gain. Both the Dow and S&P 500 gained 1.1%, tailing the Nasdaq's 1.3% rally. These markets could log gains for the year with the S&P now 1% higher and the Dow trailing only by 0.6%.

Oil (+2.9%) and natural gas (+6.5%) prices rallied strongly today. Global stock rallied as well, with the Stoxx Europe 600 (+1.4%) gaining while the Shanghai Composite (+0.9%) recovered from yesterday's selloff. Both the Euro (-0.4%) and Yen (-0.2%) fell against the dollar.

At one point in the day before 10-year yields vaulted higher at 1:00 following a 5-year note auction, the 2-10 year yield curve fell as low as 1.17 percentage points which would be the lowest level on a closing basis since January 2008 (WSJ). While signaling warning signs, the yield curve is still far from being fully inverted, the last time being June 2007 (crisis).

### ECONOMIC REPORTS:

**Weekly Redbook Retail Sales:** +70bps to 2.5% annually. Retail sales gained during the most important week of the holiday season, as retailers marked down items on top of already planned promotional discounts. Nevertheless this gauge does not account for online sales, which now account for a large part of overall consumption (see 12/22/15).

**October Case Shiller Home Prices:** Mirroring similar annual gains in prices of existing home sales (+6.3%), the Case Shiller's 20-city gauge has gained 5.5% over the past year, up 10bps from September. Home prices have steadily risen through 2015, with prices covering the entire nation 5.2% higher.

**December Consumer Confidence:** +6.1 to 96.5. Consumer confidence rebounds strongly following November's 1-year low. While consumer's optimism over the short-term outlook was mixed, their perception of labor conditions improved. Similarly the present situation index rebounded, nearing September's 7-year high (121.1). There was no mention of inflation expectations in this month's report.

	September:	Change:
Current Conditions:	115.3	+7.2
Expectations:	83.9	+5.3
Inflation Exp:	5.0%	(November data)

**November State Street Investor Confidence:** +1.5 to 108.3. Global confidence rebounds following two months of weakness, driven again by renewed optimism in Europe (+7.2 to 103.7). Asian optimism (+4.6 to 105.1) gained while North America sentiment continued to fall (-5.9 to 106.6). These trends have so far paid off in 2015, with European and Asian markets up 5% and 9% respectively, compared to the US's flat performance.