

## Weekly Capital Markets

December 7, 2009



## Market Review

## The Week in Review

## Economic Releases for the Week Ended 12/4/09

	**Consensus	Actual	Prior Period
Nov. Non-Farm Payrolls	-100k	-11k	-111k
Nov. Unemployment Rate	10.2%	10.0%	10.2%
Nov. Non-Mfg ISM	52.0	48.7	50.6

Last week's positive economic news, including an employment report that was much better than expected, drove Treasury yields and U.S. equities higher. The yield on the benchmark ten-year U.S. Treasury spiked 27 basis points from 3.20% to 3.47%, while the S&P 500 climbed 1.33%. The S&P ended the month of November up nearly 6.0% and is up 22.44% year-to-date. In bond markets, credit spreads continued to grind tighter. Year-to-date, the Barclays U.S. Credit Index is up 16.07%, while the Barclays U.S. Corporate High Yield Index is up 54.32%.

The positive economic news included information on the labor market as well as the manufacturing sector. November's employment report indicated that the economy lost just 11,000 jobs, much better than the anticipated loss of 100,000. There were also positive revisions to prior months and the report has investors thinking that a positive print may be coming sooner rather than later. The unemployment rate also improved, dropping from 10.2% to 10.0%, but the rate is still expected to trend higher over the coming months. The November manufacturing ISM index remained in expansionary territory, printing at 53.6. The report included good news on the new orders component, which climbed to 60.3. November non-manufacturing ISM fell back below the breakeven level of 50, printing at 48.7. The primary driver of the drop in the index was in the job section, which remains stubbornly low.

## The Week Ahead

## Economic Releases for the Week Ending 12/11/09

	**Consensus	Prior Period
Oct. Consumer Credit	-\$8.8B	-\$14.8B
Nov. Retail Sales	0.9%	1.4%
Oct. Trade Balance	-\$36.4B	-\$36.5B

The week ahead is relatively light on economic data and the focus will continue to be on the consumer. October consumer credit will be released on Monday, December 7 and is expected to show that credit outstanding fell from \$14.8 billion in September to \$8.8 billion in October. The amount of credit outstanding is expected to fall further as consumers continue to repair their personal balance sheets. November retail sales figures will be released on Friday, December 11 and are expected to show a 0.9% increase. October's retail sales were up 1.4%, driven by a rebound in auto purchases. Excluding autos, retail sales are expected to have risen 0.4% and excluding autos and gas, sales are expected to have risen 0.2%. The October trade balance, set for release on Thursday, December 10, is expected to remain relatively unchanged at a deficit of \$36.4 billion. The trade gap widened from \$-30.7 billion in August to \$-36.5 billion in September, driven by a wider petroleum shortfall. October's trade deficit is likely to remain near the \$36 billion level as higher oil prices will likely offset any potential improvements from exports.

World Bond Rates	12/04/09	1-Wk Chg	4-Wk Chg	YTD
US 10y	3.47%	0.27%	-0.02%	1.26%
GBR 10y	3.71%	0.16%	-0.18%	0.70%
GER 10y	3.24%	0.07%	-0.13%	0.28%
CAN 10y	3.32%	0.09%	-0.21%	0.64%
JAP 10y	1.30%	0.04%	-0.16%	0.12%

Central Bank Rates	12/04/09	12/31/08	9/30/08	6/30/08
US Fed Funds	0.25	0.25	0.25	0.25
UK Bank Rate	0.50	0.50	0.50	0.50
GER Base Rate	1.00	1.00	1.00	1.50
CAN Bank Rate	0.25	0.25	0.25	0.50
JAP Disc Rate	0.10	0.10	0.10	0.10
3 Mo-LIBOR	0.26	0.28	0.56	1.19

Risk Premiums	12/04/09	1-Wk Chg	4-Wk Chg	YTD
*CDX (bps)	98	-3	-4	-61
*30 Day T-Yld Vol.	93.1	4.2	-11.9	-96.9
VIX	21.25%	-3.49%	-2.94%	-18.75%

Currencies	12/04/09	1-Wk Chg	4-Wk Chg	YTD
USD/EUR	1.49	-0.01	0.00	0.09
USD/CAN	0.95	0.00	0.02	0.12
JPY/USD	90.56	4.03	0.68	-0.08

Commodities	12/04/09	1-Wk Chg	4-Wk Chg	YTD
Gold (oz.)	\$1,161.90	-\$12.30	\$66.20	\$277.60
Oil (barrel)	\$75.72	-\$0.33	-\$1.71	\$31.12
Wholesale Gasoline (gal)	\$1.98	-\$0.06	\$0.06	\$0.97
Natural Gas (mcf)	\$4.60	-\$0.60	\$0.00	-\$1.03

Equity Markets	12/04/09	1-Wk Chg	4-Wk Chg	YTD
S&P 500	1,105.98	1.33%	3.43%	22.44%
FTSE 100	5,322.36	1.46%	3.49%	20.03%
DAX	5,817.65	2.32%	6.00%	20.94%
S&P/TSX Comp	11,510.80	0.40%	2.31%	28.07%
NIKKEI	10,022.59	10.36%	2.38%	13.13%

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\* DJ CDX.NA.IG.10 5Yr; 30 Day Avg. 1-month TSY Yield Volatility

\*\* www.bloomberg.com