

Weekly Capital Markets

December 28, 2009



Market Review

The Week in Review

Economic Releases for the Week Ended 12/25/09

	**Consensus	Actual	Prior Period
Q3 GD	2.7%	2.2%	2.8%
Nov. Personal Spending	0.6%	0.5%	0.7%
Nov. Durable Goods Orders	0.5%	0.2%	-0.6%

It was a short trading week with light volume as markets shut down for the long holiday weekend. Global equity markets rallied prior to the early close however, sending yields on government bonds soaring. The U.S. S&P 500 climbed 2.18% during the week sending its year-to-date return to 24.71%, while yields on the benchmark 10-year Treasury jumped 26 basis points to 3.81%. The Treasury yield curve remained very upward-sloping and the jump from two-year yields to 10-year yields set a record high.

Economic data was light and generally positive. According to the final revision for third quarter gross domestic product (GDP), the economy is not recovering as fast as first thought. The final reading on economic growth was revised to 2.2%, down from the original estimate of growth of 3.5%. The revisions were primarily driven by lower estimates for inventories, government purchases and personal consumption. November personal spending rose 0.5%, just missing expectations for a gain of 0.6%. The increase was due to purchases of non-durable goods, which were up 1.5% during the month. Durable goods orders were just 0.2% higher in November, missing expectations for an increase of 0.5%. The smaller increase was driven by a drop in airline orders. Excluding transportation, durable goods orders were up a healthy 2.05% during the month.

The Week Ahead

Economic Releases for the Week Ended 01/01/10

	**Consensus	Prior Period
Oct. Case-Schiller Index	-7.1%	-9.4%
Dec. Consumer Confidence	53.0	49.5
Weekly Initial Jobless Claims	460k	452k

The final week of 2009 is very light on economic data and investors will begin looking ahead to what 2010 may have in store. The economic outlook is generally positive but investors still have concerns as to how the recovery will proceed. Two big questions to be answered include when will the Federal Reserve begin to remove its accommodating monetary policies and how will the markets react once interest rates rise. In the week ahead, economic data will focus on housing, consumer confidence and the labor market. The S&P/Case-Schiller index is expected to show that the value of residential real estate has fallen 7.1% year-over-year in the 20-city composite. The index has shown significant improvement in recent months, but still has a long way to go before reaching historical averages. Consumer confidence in December likely rose from 49.5 to 53.0. That number also represents an improvement but remains below more recent highs in the mid-50's from last fall. Finally, weekly initial jobless claims are expected to remain in the 460,000 range, while the four-week average is expected to remain closer to 470,000. Continuing claims are expected to reach 5.1 million, down more than one million compared to the record highs that were seen earlier this year.

World Bond Rates	12/28/09	1-Wk Chg	4-Wk Chg	YTD
US 10y	3.81%	0.26%	0.60%	1.59%
GBR 10y	4.00%	0.22%	0.45%	0.99%
GER 10y	3.32%	0.18%	0.15%	0.36%
CAN 10y	3.59%	0.18%	0.37%	0.91%
JAP 10y	1.28%	0.04%	0.02%	0.11%

Central Bank Rates	12/28/09	9/30/09	6/30/09	3/31/09
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	0.25	0.28	0.56	1.19

Risk Premiums	12/28/09	1-Wk Chg	4-Wk Chg	YTD
*CDX (bps)	88	0	-13	-71
*30 Day T-Yld Vol.	105.0	11.2	16.1	-85.0
VIX	19.47%	-2.21%	-5.27%	-20.53%

Currencies	12/28/09	1-Wk Chg	4-Wk Chg	YTD
USD/EUR	1.44	0.01	-0.06	0.04
USD/CAN	0.95	0.01	0.01	0.13
JPY/USD	91.30	0.91	4.77	0.66

Commodities	12/28/09	1-Wk Chg	4-Wk Chg	YTD
Gold (oz.)	\$1,104.10	-\$8.30	-\$70.10	\$219.80
Oil (barrel)	\$78.05	\$4.73	\$2.00	\$33.45
Wholesale Gasoline (gal)	\$1.99	\$0.10	\$0.06	\$0.98
Natural Gas (mcf)	\$5.64	-\$0.15	\$0.45	\$0.02

Equity Markets	12/28/09	1-Wk Chg	4-Wk Chg	YTD
S&P 500	1,126.48	2.18%	3.21%	24.71%
FTSE 100	5,402.41	3.96%	2.99%	21.84%
DAX	5,957.44	2.16%	4.78%	23.85%
S&P/TSX Comp	11,754.61	2.54%	2.53%	30.79%
NIKKEI	10,494.71	3.48%	15.56%	18.46%

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

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