



Weekly Market Update

Equity markets hope to sustain a “Santa rally”

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Article Highlights

- The S&P 500 Index reaches yet another record high to begin the holiday-shortened week.
- Short-term and intermediate-term Treasury yields have risen in December, while longer-term rates have edged down.
- Third-quarter GDP growth is revised up to 5%, the economy’s strongest showing since 2003.
- For now, oil prices appear to have found a floor.

December 23, 2014

Equity and fixed-income markets

Equity markets began the week of December 22 on a positive note. Amid seasonally light trading, the S&P 500 Index closed at another record high, as investors appeared to be positioning for a so-called “Santa rally”—a rise in stock prices that is often observed in the week between Christmas and New Year’s. European and Japanese markets also got off to a good start but remained in negative territory for the month-to-date in U.S. dollar terms. The euro and yen weakened against the dollar.

In fixed-income markets, the yield on the bellwether 10-year U.S. Treasury continued its modest rise from the previous week. Since the beginning of 2014 through December 22, the 10-year and 30-year yields have fallen by 83 basis points and 117 basis points, respectively, while most short-to-intermediate-term yields have risen modestly, resulting in a flattening of the yield curve.

Current updates are available [here](#).

A powerful GDP report dominates U.S. economic releases

A number of U.S. economic reports were released in the days leading up to Christmas.

- **GDP.** According to the government’s third and final estimate, the U.S. economy grew at an annual rate of 5% in the third quarter, boosted by strong consumer spending. This is the fastest pace of growth in 11 years.



Financial Services

Equity markets hope to sustain a “Santa rally”

Oil prices, which appear to have bottomed, rose in the wake of the strong GDP report.

- **Consumers.** Consumer sentiment jumped to its highest level in nearly eight years, as measured by the final December reading for the University of Michigan-Thomson Reuters index. Consumer spending also climbed in November.
- **Housing.** Sales for existing and new homes cooled in November, while home price appreciation rose to an 18-month high in October.
- **Durable goods.** Orders for durable goods unexpectedly declined in November.

Meanwhile, inflation fell 0.2% in November, as energy prices dropped.

For our views on economic growth prospects in 2015, watch [this](#) video with TIAA-CREF Chief Economist Tim Hopper.

Another abbreviated edition of Weekly Market Update will be produced before year-end, with our normal publishing schedule set to resume on Friday, January 9.



Financial Services

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