US Economy and Credit Markets

Yields and Weekly Changes:

3 Mo. T-Bill:	0.02 (unch.)	GNMA (30 Yr) 6% Coupon:	112-15/32 (1.41%)
6 Mo. T-Bill:	0.05 (+01 bps)	Duration:	3.69 years
1 Yr. T-Bill:	0.08 (-01 bps)	30-Year Insured Revs:	168.7% of 30 Yr. T-Bond
2 Yr. T-Note:	0.41 (-04 bps)	Bond Buyer 40 Yield:	4.44 (-05 bps)
3 Yr. T-Note:	0.86 (-04 bps)	Crude Oil Futures:	97.24 (-.41)
5 Yr. T-Note:	1.54 (-09 bps)	Gold Futures:	1308.90 (-4.40)
10 Yr. T-Note:	2.34 (-08 bps)	Merrill Lynch High Yield Indices:	
30 Yr. T-Bond:	3.13 (-10 bps)	U.S. High Yield:	6.00% (-11 bps)
		BB:	4.77% (-22 bps)
		B:	6.07% (-20 bps)

U.S. Government traded in a relatively tight range early this week but lackluster U.S. economic data and geopolitical turmoil between Ukraine and Russia ultimately caused yields to fall. On Monday, Treasuries were relatively unchanged on light news ahead of major Federal Reserve auctions. Yields climbed slightly Tuesday when a U.S. auction of $27B in three year notes drew its lowest yield since April. Another auction on Wednesday for $24B in ten year notes drew strong demand and the lowest yield in more than a year. Reports also showed flat July Retail Sales against expectations of .2% rise, the weakest figure in months. This coupled with tepid wage growth caused Treasuries to rally mid-week. On Thursday, reports showed that claims for jobless benefits rose in the U.S., while European GDP figures printed flat for 2Q, a sign the recovery there might be stalling spurring demand for safe assets. On Friday Treasuries gained to close the week as tensions escalated in the Ukraine when the country announced its troops has attacked a Russian armored column that crossed its border without authorization. Major economic reports (and related consensus forecasts) for the upcoming week include: Tuesday: July Housing Starts and Building Permits (966k and 1000k, respectively), July CPI (+.1% MoM); Wednesday: Fed Releases Minutes from July 29-30 FOMC Meeting; Thursday: July Existing Home Sales (5M) and July Leading Index (+.6%).

US Equities

Weekly Index Performance:			Market Indicators:	
DJIA:	16,662.91	(+0.66%)	Strong Sectors:	Health Care, Info Tech, Consumer Staples
S&P 500:	1,955.06	(+1.22%)		
S&P Midcap:	1,395.50	(+1.17%)	Weak Sectors:	Energy, Telecom, Materials
S&P Smallcap:	657.10	(+0.76%)		
NASDAQ Comp:	4,464.93	(+2.15%)	NYSE Advance/Decline:	2,318/ 909
Russell 2000:	1,141.65	(+0.91%)	NYSE New Highs/New Lows:	234/79
			AAII Bulls/Bears:	39.8% / 27.0%

Equity markets posted positive performance for the week amid optimism the crisis in Ukraine won't escalate after President Vladimir Putin commented that Russia will work to halt the current conflict. With earnings season nearly over, the equity markets are being driven by geopolitical fears across the globe. In addition to improved sentiment over the Ukraine crisis, U.S. airstrikes aimed at halting ISIS advances in Iraq also helped ease investors' fears. Looking at U.S. economic data, weekly jobless claims rose by 21,000 to 311,000, the highest in six weeks, and retail sales came in flat as wage growth remains in check. A number of retailers reported earnings during the week. **Wal-Mart Stores Inc.** reported lackluster results as same-store sales showed no growth and increased costs from health care and e-commerce caused the big box retailer to reduced guidance. **Macy's Inc**. also reported disappointing results as shoppers continue to search for deals, causing the second-largest U.S. department store chain to offer more sales. **Priceline Group Inc.** posted better-than-expected results on robust summer bookings and strong growth from China. In other stocks news, **Dean Foods** withdrew their fiscal year guidance after volatility in milk input prices led to a loss for the quarter instead of an expected gain. **SeaWorld Entertainment Inc.** fell to an all-time low after reporting disappointing results as the controversy over their treatment of whales in captivity caused reduced attendance in their parks. Despite some of the negative retail results for the week, the second quarter earnings season was very strong as companies were able to grow earnings from top line growth, not just from cost cutting. In addition, roughly 75% of S&P 500 members beat on the bottom line and 65% on the top line. While markets will most likely be driven by geopolitical news in the near term, solid growth in corporate profits should continue to provide further upside to equities as valuations remain reasonable.