US Economy and Credit Markets

3 Mo. T-Bill:	0.05 (+05 bps)	GNMA (30 Yr) 6% Coupon:	112-16/32 (1.94%)
6 Mo. T-Bill:	0.23 (+04 bps)	Duration:	3.80 years
1 Yr. T-Bill:	0.37 (+02 bps)	Bond Buyer 40 Yield:	4.41 (+03)
2 Yr. T-Note:	0.72 (+10 bps)	Crude Oil Futures:	45.25 (+4.80)
3 Yr. T-Note:	1.03 (+08 bps)	Gold Futures:	1,133.5 (-26.10)
5 Yr. T-Note:	1.52 (+09 bps)	Merrill Lynch High Yield Indices:	
10 Yr. T-Note:	2.18 (+14 bps)	U.S. High Yield:	7.62% (-07 bps)
30 Yr. T-Bond:	2.91 (+19 bps)	BB:	5.71% (-05 bps)
		B:	7.70% (-05 bps)

Treasury yields were very volatile last week as China's stock market continued to fall and investors endured a US market correction. Early in the week treasury yields fell but as markets rebounded and the GDP numbers were revised up, yields spiked (prices fell). By the week's end, yields ended higher as bonds sold off amid uncertainty regarding the global economy and how the Fed will react to the equity market's high volatility. Oil rallied over 10% during the week amid declining US crude oil inventories and high volatility. Tuesday's new single-family home sales report showed an increase of 5.4% for July but was slightly below consensus expectations. The month's supply of new homes fell to 5.2 months due to faster sales. July Durable Goods orders were up 2% as reported last Wednesday powered by strong auto sales. Thursday enjoyed a very positive Real GDP revision as the Q2 preliminary GDP number was revised up to 3.7% from the estimate of 2.3%. This beat the revision estimate of 3.2% handily and indicates the underlying economic growth of the US economy has continued into 2015. Nominal GDP growth, real GDP plus inflation, was revised to an annual 5.9% rate vs. an expected 4.4% rate. On Friday the July Personal Income numbers were released and matched expectations at .4% growth. It also showed consumption increasing .3%. Major economic reports (and related consensus forecasts) for the upcoming week include: Tuesday: August Markit US Manufacturing PMI (52.9, unch.), August Construction Spending (+.8%), ISM Manufacturing (52.8, +.1); Wednesday: August 28st MBA Mortgage Applications and August ADP Employment Change (200K, +15K) and July Factor Orders (.7%, -1.1%); Thursday: August 29 Initial Jobless Claims (273K, +2K) and July Trade Balance (-44.5B, -.66B); Friday: August Change in Nonfarm Payrolls (220K, +5K) and Unemployment Rate (5.2%, -.1%).

US Equities

Weekly Index Performance:			Market Indicators:	
DJIA:	16,643.01	(+1.17%)	Strong Sectors:	Energy, Info Tech, Consumer Discretionary
S&P 500:	1,988.87	(+0.95%)		
S&P Midcap:	1,426.23	(+0.26%)	Weak Sectors:	Utilities, Financials, Consumer Staples
S&P Smallcap:	674.84	(-0.26%)		
NASDAQ Comp:	4,828.32	(+2.62%)	NYSE Advance/Decline:	1,584/ 1,678
Russell 2000:	1,162.91	(+0.56%)	NYSE New Highs/New Lows:	18/1,456
			AAII Bulls/Bears:	35.2% / 38.3%

The S&P 500 briefly entered correction territory, defined as a 10% decline from a recent peak, as markets extended last week's selling before recovering to end higher for the week. The Dow Jones Industrial Average posted its largest ever one day intraday point loss on Monday due to fears of Chinese growth slowing and its impact on the global economy. The selling was further exacerbated by automatic sales by retail investors, leading to one of the most volatile trading days ever. After China's central bank moved simultaneously to cut interest rates and lower the reserve requirement, U.S. markets opened sharply higher Tuesday before ending the day lower. The S&P 500 gained nearly 4% on Wednesday, posting its single best day since 2011, as durable goods orders increased by the most since June 2014 and New York Fed Bank President William Dudley said a rate hike in September is less likely due to the recent market volatility and foreign developments. Equity markets continued rallying on Thursday after the initial reading of 2nd quarter GDP was revised higher to 3.7%, beating expectations for a 3.2% gain. Stocks ended the see-saw week flat on Friday. In stock news, **Toll Brothers Inc.** shares fell after revenues and margins missed expectations due to disappointing sales in the south. **Freeport-McMoRan Inc.** shares gained over 28% on Wednesday after announcing plans to reduce capital expenditures by $1.6 billion to improve cash flow. In merger news, **Schlumberger Ltd.** agreed to purchase equipment maker **Cameron International Corp.** for $14.8 billion, creating one of the world's largest oilfield service and equipment providers. Despite increased volatility and uncertainty, the basic blueprint of the six-year bull market remains intact. The Federal Reserve continues to be accommodative and domestic economic data continues to improve. Even if the Fed raises rates in September, the move is likely to be shallow and remain far looser than any recent tightening cycles. While slowing growth in emerging economies does impact the U.S., fundamentals continue to improve domestically in housing, labor markets, and for the consumer. With cheaper valuations than a few weeks ago, corporations tied to the U.S. economy could offer an attractive entry point.