US Economy and Credit Markets

Yields and Weekly Changes:

3 Mo. T-Bill:	0.32 (+03 bps)	GNMA (30 Yr) 6% Coupon:	111-31/32 (2.31%)
6 Mo. T-Bill:	0.50 (+05 bps)	Duration:	3.85 years
1 Yr. T-Bill:	0.69 (+04 bps)	Bond Buyer 40 Yield:	4.09 (-01 bps)
2 Yr. T-Note:	0.96 (+09 bps)	Crude Oil Futures:	38.50 (+2.58)
3 Yr. T-Note:	1.16 (+13 bps)	Gold Futures:	1259.40 (-11.30)
5 Yr. T-Note:	1.49 (+12 bps)	Merrill Lynch High Yield Indices:	
10 Yr. T-Note:	1.96 (+11 bps)	U.S. High Yield:	
30 Yr. T-Bond:	2.75 (+06 bps)	BB:	5.88% (-09 bps)
		B:	8.47% (-22 bps)

U.S Treasury yields spiked on Friday after the European Central Bank added additional monetary stimulus to the Euro area via rate cuts, additional bond purchases and low-cost loans for banks. Amid this stimulus, the German 10-year is yielding less than .3%. This comes after Japan pushed interest rates into negative territory for the first time. Commodities are rallying, led by Crude Oil which reached its highest levels of 2016. The Federal Reserve is scheduled to meet next week. Currently, the current implied probabilities for a rate hike are only 4% for the March meeting, according to Bloomberg futures data, but the futures are pricing in a 50.8% chance for a rate increase by the June meeting. Based on the futures data, markets are pricing in a rate range of .5-.75% as the most probable rate range at the end of 2016. Last week's U.S. wholesale inventories number was worse than expected as stockpiles rose .3% in January. This was the largest gain in inventories since August as sales of durable goods sagged 1.9%. Major economic reports (and related consensus forecasts) for the upcoming week include: Tuesday: February Retail Sales Advance (-.1%, -.3% MoM), February PPI Final Demand (-.2%, -.3% MoM) and March Empire Manufacturing (-12, +4.64 MoM); Wednesday: Prior week MBA Mortgage Applications, February Housing Starts (1150K, +51K), February CPI (-.2%, -.2% MoM), FOMC Rate Decision (lower bound: .25%, upper bound: .5%, unch.) and February Industrial Production (-.3%, -.12%); Thursday: Prior week Initial Jobless Claims (266K, +7K) and February Leading Index (.2%, +.4%); Friday: March preliminary University of Michigan Sentiment (92.2,+.5 MoM).

US Equities

Weekly Index Performance:		Market Indicators:	
DJIA:	17,213.31 (1.34%)	Strong Sectors:	Utilities, Materials,
S&P 500:	2,022.19 (1.19%)		Energy
S&P Midcap:	1,407.13 (0.62%)	Weak Sectors:	Industrials, Info. Tech
S&P Smallcap:	669.06 (0.77%)		Cons. Discretionary
NASDAQ Comp:	4,748.47 (0.69%)	NYSE Advance/Decline:	2,087 / 1,104
Russell 2000:	1,087.56 (0.57%)	NYSE New Highs/New Lows:	203 / 28
		AAII Bulls/Bears:	37.4% / 24.4%

The S&P 500 Index gained for the fourth straight week returning 1.19%. Global equity markets persistently gained this week, as the European Central Bank decided to take extra steps designed to boost economic growth. In the U.S., the Russell 1000 Value Index was up 1.37% this week, compared to the Russell 1000 Growth Index which was up 0.91%. Year-to-date, the Russell 1000 Value Index has a 0.31% return compared to the Russell 1000 Growth Index return of -1.86%. This stands in stark contrast to 2015 when the Russell 1000 Value Index had a -3.84% return compared to the Russell 1000 Growth Index return of 5.67%. Not only has value outperformed growth but small and mid-cap equities have started to outperform large caps in 2016. Year-to-date, the (large cap) S&P 500 Index has a -0.56% return, while the (mid cap) S&P 400 Index a 0.96% return and the (small cap) S&P 600 Index a -0.13% return. Again this is in stark contrast to what happened in 2015 when the S&P 500 had a 1.37% return, the S&P 400 a -2.18% return and the S&P 600 a -2.01%. Helping to fuel the small/mid and value outperformance has been a surge in commodity values. Oil closed Friday at $38.50, the highest close for 2016, gold is up nearly 18% for the year and even natural gas was up nearly 11% this week (still down 22% year-to-date). **Devon Energy Corp.**, a large cap energy exploration and production (E&P) company, jumped over 7.3% this week, as the company benefited from higher energy prices and Fitch affirmed their BBB+ credit rating, mitigating default worries. E&P giant **Anadarko Petroleum Corp.** was also up nearly 9% Friday, on the same news that Fitch had affirmed their BBB investment grade credit rating. The commodity/material rally flowed through to fertilizer maker **CF Industries Holdings Inc.**, which was up nearly 6% on Friday. Meanwhile, according to Bloomberg, the odds of a Federal Reserve interest rate hike in June 2016 shot up to 50.8% to close the week, the odds of a rate hike were 1.9% as of February 11th this year. The higher odds of a rate raise helped the KBW Bank Index to rally nearly 2.9% on Friday and is up 15.9% from the mid-February lows, outpacing the S&P 500 return of 1.7% and 10.8% respectively. Looking ahead to next week, presidential primary results, retail sales, PPI, housing starts, CPI and an FOMC rate decision are all likely to be market-moving events.