US Economy and Credit Markets

Yields and Weekly Changes:

3 Mo. T-Bill:	0.81 (+03 bps)	GNMA (30 Yr) 6% Coupon:	113-08/32 (1.97%)
6 Mo. T-Bill:	0.94 (+05 bps)	Duration:	4.23 years
1 Yr. T-Bill:	1.06 (+04 bps)	Bond Buyer 40 Yield:	4.20 (-05 bps)
2 Yr. T-Note:	1.29 (+03 bps)	Crude Oil Futures:	52.24 (+1.64)
3 Yr. T-Note:	1.51 (+02 bps)	Gold Spot:	1,254.30 (+7.00)
5 Yr. T-Note:	1.92 (-02 bps)	Merrill Lynch High Yield Indices:	
10 Yr. T-Note:	2.38 (-01 bps)	U.S. High Yield:	6.15% (-06 bps)
30 Yr. T-Bond:	3.00 (unch.)	BB:	4.76% (-06 bps)
		B:	6.18% (-05 bps)

Despite a U.S. missile strike on Syria and a disappointing jobs report, which could have been reasonably expected to drive increased demand for safe U.S. debt, Treasury bonds were relatively unchanged last week. Economic news continues to be relatively upbeat, last week was a busy week of economic data, and the Monday ISM Manufacturing Index kicked it off with a small decline to 57.2; still above the 50 threshold which denotes expansion. Every manufacturing industry reported growth in new orders. On Tuesday, the trade deficit for February was released and recorded a four-month low. Also on Tuesday, automakers saw the annual sales rate fall 5.4% from February as they contend with declining used car prices amid a glut of leased cars coming off lease. However, perhaps more concerning, subprime auto loans have reached highs not recorded since 2010. Tighter credit conditions, coupled with increasing used car inventories, could present a real headwind to U.S. automakers. The March ISM non-manufacturing index fell to 55.2 with 15 of 18 industries reporting growth. Wrapping up the week was the Friday nonfarm payroll report showing an increase even as it fell short of expectations. Some attributed the slowdown to weather but the March report did follow relatively impressive reports in January and February and may be indicative of a more sustainable pace. Major economic reports (and related consensus forecasts and prior data) for the upcoming week include Wednesday: April 7 MBA Mortgage Applications; Thursday: April 8 Initial Jobless Claims (245k, 234K); Friday: March CPI (0.0%, 0.1%), and March Retail Sales Advance (-0.1%, 0.1%).

US Equities

Weekly Index Performance:		Market Indicators:	
DJIA:	20,656.10 (0.02%)	Strong Sectors:	Energy, Materials Utilities
S&P 500:	2,355.54 (-0.24%)		
S&P Midcap:	1,706.38 (-0.76%)	Weak Sectors:	Info Tech, Cons. Discretionary, Financials
S&P Smallcap:	827.49 (-1.96%)		
NASDAQ Comp:	5,877.81 (-0.55%)	NYSE Advance/Decline:	1,608 / 1,478
Russell 2000:	1,364.56 (-1.52%)	NYSE New Highs/New Lows:	225 / 67
		AAII Bulls/Bears:	28.3% / 39.6%

Equity markets trended down this week as the S&P 500 had a -0.24% return, only the 4th negative week to date in 2017. News headlines were packed with the U.S. Supreme Court confirmation, Chinese President Xi visiting the U.S. and President Trump deciding to bomb a Syrian airbase that launched chemical attacks on Tuesday. Stocks started to sell off around noon on Thursday as President Trump hinted that something had to be done after the Syrians used poisonous gas on their own citizens. Thursday night, President Trump had a dinner with Chinese President Xi around the time when he ordered the U.S. to bomb the Syrian base raising geopolitical risks for the market. Trade implications of the meeting between President Xi and President Trump remains an important topic for equity markets. In 2016 the U.S./China trade deficit was nearly $350b, meaning the U.S. purchased $350b more in goods from China, by far the largest trade deficit of any partner of the U.S., something President Trump is hoping to change. On Friday, President Trump's Supreme Court nominee Neil Gorsuch was confirmed by the Senate after Republicans used the 'nuclear' option to invoke cloture on Senate debate. There are broad market expectations that Justice Gorsuch will be a conservative justice, particularly when it comes to business related matters. Despite the geopolitical headlines, U.S. equity markets remained relatively strong as there were bright spots in markets with improved jobs reports, wage reports and durable good orders. According to Bloomberg, as first quarter earnings season winds down, S&P 500 profits have grown an estimated 9.7%, with the financial and technology sectors driving growth. Looking ahead to next week, geopolitics will be in the forefront as the market digests any Russian reaction to the Syrian bombings. Also, meaningful economic data expected to be announced include: consumer confidence, jobless claims, March Retail sales and the March consumer price index. Further, on Thursday of next week 2Q earnings season gets into swing as mega banks **JPMorgan Chase & Co.**, **Wells Fargo & Co.** and **CitiGroup Inc.** are all expected to report.