US Economy and Credit Markets

Yields and Weekly Changes:

3 Mo. T-Bill:	0.147 (-0.3 bps)	GNMA (30 Yr) 6% Coupon:	110-28/32 (3.38%)
6 Mo. T-Bill:	0.165 (-1.3 bps)	Duration:	3.66 years
1 Yr. T-Bill:	0.167 (-0.8 bps)	Bond Buyer 40 Yield:	3.63 (-1 bps)
2 Yr. T-Note:	0.186 (-0.7 bps)	Crude Oil Futures:	39.75 (3.49)
3 Yr. T-Note:	0.218 (-0.5 bps)	Gold Spot:	1,743.87 (13.12)
5 Yr. T-Note:	0.327 (-0.1 bps)	Merrill Lynch High Yield Indices:	
10 Yr. T-Note:	0.694 (-1.0 bps)	U.S. High Yield:	6.70 (-20 bps)
30 Yr. T-Bond:	1.458 (0.1 bps)	BB:	4.96 (-20 bps)
		B:	6.87 (-15 bps)

Last week saw Treasury yields decline broadly as investors sought safe assets amid mounting concerns around the economic re-opening. In focus last week was U.S. money-fund assets. While over $100 billion has been pulled from money-funds over the prior month, money-fund assets are still nearly 1$ Trillion above pre-COVID levels, indicating investors have lingering economic concerns. Last Tuesday's Industrial production report showed an increase of 1.4% in May, less than expected. Certain economic sectors were very volatile. Auto production witnessed a 121% month over month increase but was still down 62.8% versus the prior year. Oil and gas pulled the mining sector down as oil prices remain subdued around $40/bbl WTI and the industry has idled many rigs. Also on Tuesday, Retail Sales were reported at +17.7% in May. After the rise retail sales are now down 7.9% from February but the strong report is indicative of a more eager consumer. The Wednesday Housing Start report showed a 4.3% increase in May nearly completely driven by multi-unit starts. More importantly, new building permits rose 14.4% for the month indicating more optimism about future construction. Major economic reports (related consensus forecasts, prior data) for the upcoming week include Monday: May Existing Home Sales (3.99M, 4.33M); Tuesday: May New Home Sales (630K, 623K); Wednesday: June 19 MBA Mortgage Applications (N/A, 8.0%); Thursday: June 20 Initial Jobless Claims (1,300K, 1,508K), May preliminary Wholesale Inventories (0.4%, 0.3%, May preliminary Durable Goods Orders (10.3%, -17.7%) 1Q annualized QoQ GDP (-5.0%, -5.0%) and Friday: May Personal Income (-6.0%, 10.5%), May Personal Spending (8.8%, -13.6%) and June final University of Michigan Sentiment (78.9, unch.).

US Equities

Weekly Index Performance:		Market Indicators:	
DJIA:	25,871.46 (1.07%)	Strong Sectors:	Health Care, Info Tech.,
S&P 500:	3,097.74 (1.88%)		Cons. Staples
S&P Midcap:	1,784.72 (1.44%)	Weak Sectors:	Real Estate, Energy,
S&P Smallcap:	818.76 (0.80%)		Utilities
NASDAQ Comp:	9,946.12 (3.74%)	NYSE Advance/Decline:	1,729 / 1,328
Russell 2000:	1,418.63 (2.25%)	NYSE New Highs/New Lows:	107 / 22
		AAII Bulls/Bears:	24.4% / 47.8%

Last week, equities rallied as fears of a second wave of COVID-19 abated. The S&P 500 Index finished up 1.9% as Health Care and Information Technology names helped buoy equities. Since the top of the index on 2/19/2020 Information Technology has been the top sector and Health Care the fourth best sector in the index. That lead to Momentum being the top factor last week and almost on cue Value being the worst performing factor last week. As the equity market continues to adjust to the fallout of the COVID-19 recession, factor volatility remains high. Month over month retail sales grew 17.7% in May, crushing the 8.4% estimates from economists and marked the highest month on record. Understandably this followed April retail sales plummet of 14.7%, the worst month on record. Retail sales roaring back adds more evidence that a V shape recovery is possible as more states continue their efforts to further open. Not everything is opening soon, the Cruise Lines International Association announced cruises out of US ports are suspended until September 15th, this sent **Carnival Corp**, **Norwegian Cruise Line** and **Royal Caribbean** all down over 5% last week. **Eli Lilly & Co** jumped over 15% on Tuesday after announcing very positive phase 3 results on the breast cancer drug Verzenio. Additional positive cancer drug news came from **Jazz Pharmaceuticals** as they rallied nearly 9% after the FDA approved Zepzelca for metastatic small cell lung cancer. Looking ahead to next week, headlines on the COVID pandemic are likely to drive equity market returns. There have been several states (Florida, Texas, Arizona and California among others) where cases have been accelerating but further data is needed to determine if there will be an additional wave of hospitalizations.