US Economy and Credit Markets

Yields and Weekly Changes:

3 Mo. T-Bill:	0.510 (-1.0 bps)	Bond Buyer 40 Yield:	3.89 (unch)
6 Mo. T-Bill:	1.047 (7.4 bps)	Crude Oil Futures:	99.27 (-14.63)
1 Yr. T-Bill:	1.665 (3.6 bps)	Gold Spot:	1,925.68 (-32.61)
2 Yr. T-Note:	2.456 (18.7 bps)	Merrill Lynch High Yield Indices:	
3 Yr. T-Note:	2.632 (12.8 bps)	U.S. High Yield:	6.27 (-7 bps)
5 Yr. T-Note:	2.559 (1.3 bps)	BB:	5.18 (-7 bps)
10 Yr. T-Note:	2.382 (-9.1 bps)	B:	6.62 (-15 bps)
30 Yr. T-Bond:	2.432 (-15.3 bps)		

The Treasury yield curve flattened significantly over the course of the week with short-term Treasury yields rising and long-term Treasury yields falling. On Monday, the 5-year yield briefly rose above the 30-year yield for the first time since 2006. Crude oil also dropped significantly on Monday as China began locking down most of Shanghai, causing investors to speculate that the global demand for oil would drop. On Tuesday, the 2-year yield briefly rose above the 10-year yield, which is widely considered a precursor of past recessions. Optimism for an end to the Russia-Ukraine conflict fueled investors to believe that peace could allow the Federal Reserve to increase interest rates more aggressively. Yields dropped again moderately on Wednesday before being mostly flat on Thursday as Crude oil dropped significantly again. On Friday, the 2-year yield rose materially above the 10-year yield, inverting the yield curve, as the jobs reports were strong enough for investors to continue to speculate for a possible double rate hike during the May Fed meeting. The market implied probability of a 50 basis point rise in the Federal Funds Rate increased to 80%, which was up 3% from the week before. Oil dropped 12.8% over the course of the week. Major economic reports (related consensus forecasts, prior data) for the upcoming week include Monday: February Factor Orders (-0.6%, 1.4%), February Final Durable Goods Orders (-2.2%, -2.2%); Tuesday: February Trade Balance (-$88.5b, -$89.7b); Wednesday: April 1 MBA Mortgage Applications (n/a, -6.8%); Thursday: April 2 Initial Jobless Claims (200k, 202k); Friday: February Final Wholesale Inventories MoM (2.1%, 2.1%).

US Equities

Weekly Index Performance:		Market Indicators:	
DJIA:	34,818.27 (-0.12%)	Strong Sectors:	Real Estate, Utilities
S&P 500:	4,545.86 (0.08%)		Cons. Staples
S&P Midcap:	2,710.15 (-0.04%)	Weak Sectors:	Industrials, Energy
S&P Smallcap:	1,331.34 (0.09%)		Financials
NASDAQ Comp:	14,261.50 (0.66%)	NYSE Advance/Decline:	2,157/1,161
Russell 2000:	2,091.11 (0.68%)	NYSE New Highs/New Lows:	111/76
		AAII Bulls/Bears:	31.9%/27.5%

The S&P 500 Index achieved its third week in a row of positive returns thanks to a Friday session that managed to push the index 1.77 points higher than the previous Friday. The month of March finished on a sour note on Thursday as the index had its worst day in the past twenty and completed a March where the index completed its 13% correction and rallied almost 9% in the back half of the month. Investors responded positively to the disciplined approach by the Fed of raising rates by only a quarter point in the March meeting and proceeded to buy the dip on many beaten down growth names. Several of the FOMC board members expressed an interest in raising rates by 50bps increments in following meetings, including Fed Chair Jay Powell. The labor market continues to be tight with the March unemployment rate nearly reaching the pre-pandemic low of 3.5%. The University of Michigan Consumer Sentiment survey released on Monday indicated that the average consumer has one of the most dismal views of the future economy on record. The reading of 59.4 is the lowest indication since 2009 and the fourth lowest since inception in 1977. President Biden announced on Thursday that he plans to order the release of 180 million barrels of oil from the U.S. Strategic Petroleum Reserve, the largest release since its creation in 1975. The best performing sectors in the S&P 500 this week were Real Estate, Utilities, and Consumer Staples as defensive sectors won out over cyclicals. Financials and Energy were the worst performers this week. **Nielsen Holdings PLC** (+22.7%) was the best performing stock in the S&P 500 this week as Brookfield Asset Management Inc. announced plans to acquire the consumer marketing company for a 36% premium. The highest contributor to the return of the S&P 500 this week was **Tesla, Inc.** (TSLA, +7.3%) which jumped on the news that the company is considering another stock split later this year. With earnings season on the horizon, investors will need to be discerning as market leadership is more uncertain as it has recently shifted with hyper growth rebounding and value/cyclicals/energy lagging.