US Economy and Credit Markets

Yields and Weekly Changes:

3 Mo. T-Bill:	1.131 (9.9 bps)	Bond Buyer 40 Yield:	4.20 (-5 bps)
6 Mo. T-Bill:	1.622 (13.1 bps)	Crude Oil Futures:	118.87 (+3.80)
1 Yr. T-Bill:	2.125 (16.7 bps)	Gold Spot:	1,851.19 (-2.53)
2 Yr. T-Note:	2.652 (17.7 bps)	Merrill Lynch High Yield Indices:	
3 Yr. T-Note:	2.847 (21.4 bps)	US High Yield:	7.31 (21 bps)
5 Yr. T-Note:	2.934 (21.6 bps)	BB:	5.87 (21 bps)
10 Yr. T-Note:	2.933 (19.5 bps)	B:	7.72 (13 bps)
30 Yr. T-Bond:	3.086 (12.3 bps)		

Treasury yields rose significantly over the course of the week as expectations for 50 basis point rate hikes during the next four Federal Reserve meetings increased. Investors have been looking for signs that the Fed may scale back the pace of rate hikes to only 25 basis points later in the year, however, statements from Fed officials are dashing those hopes. Treasury yields rose significantly on Tuesday and Wednesday as Fed Governor Christopher Waller said that until he sees signs that inflation is coming down he will support 50 basis point rate hikes. St. Louis Fed President James Bullard said that the Fed is "on the precipice of losing control of inflation expectations" while San Francisco Fed President Mary Daly said that the Fed should not pause until the target rate is about 2.5%. Fed Vice Chair Lael Brainard doesn't support pausing rate hikes in September, while Cleveland Fed President Loretta Mester said that 50 basis point rate hikes are still possible in that month. Yields remained flat on Thursday before rising moderately again on Friday as the Change in Nonfarm payrolls was 390k, compared to consensus expectations of 318k. This led investors to believe that the economy is still running hot and that the Fed would still use significant rate hikes to curb inflation. The market implied probability of a 50 basis point rate hike rose to 100% for each of the June and July meetings, while the same probability for the September meeting rose from 43% at the start of the week to 67% by the end of the week. Major economic reports (related consensus forecasts, prior data) for the upcoming week include Tuesday: April Trade Balance (-$89.5b, -$109.8b); Wednesday: June 3 MBA Mortgage Applications (n/a, -2.3%), April Final Wholesale Inventories MoM (2.1%, 2.1%); Thursday: June 4 Initial Jobless Claims (206k, 200k); Friday: May CPI MoM (0.7%, 0.3%), June Prelim. U. of Mich. Sentiment (58.4, 58.4).

US Equities

Weekly Index Performance:		Market Indicators:	
DJIA:	32,899.70 (-0.83%)	Strong Sectors:	Energy, Cons. Discretionary, Industrials
S&P 500:	4.108.54 (-1.15%)		
S&P Midcap:	2,521.13 (-0.71%)	Weak Sectors:	Real Estate, Info Tech Health Care
S&P Smallcap:	1,243.51 (-0.41%)		
NASDAQ Comp:	12,012.73 (-0.95%)	NYSE Advance/Decline:	1,520 / 1,977
Russell 2000:	1,883.05 (-0.23%)	NYSE New Highs/New Lows:	155 / 112
		AAII Bulls/Bears:	32.0% / 37.1%

Despite the holiday shorten trading week, the S&P 500 Index returned -1.15% last week, marking the seventh loss in the last eight weeks for the index. Energy was the top performing sector as global energy supply/demand remains out of balance. Oil closed Friday at $118.87 per barrel, the highest price since early March just after Russia invaded Ukraine. Last week OPEC agreed to boost their production output by increasing their growth in quotas from ~430k per month to ~650k per month starting in July. Despite the ~50% hike in OPEC production growth, energy markets continued to rally as inventory draws and recovering demand outpaced supply. Jamie Dimon, CEO of **JPMorgan Chase & Co.**, had some candid comments last week: "Right now, it's kind of sunny, things are doing fine, everyone thinks the Fed can handle this… However, that hurricane is right out there… we just don't know if it's a minor one or a superstorm… you better brace yourself." These comments sent equities falling as he is considered one of America's top CEO's. Dimon is certainly correct that things are sunny right now. Jobs data remained strong as well as corporate earning as 1Q22 earnings season is almost over. **Salesforce Inc.** announced quarterly results last week as they beat on earnings and revenue, as well as boosting earnings guidance for the year. The company touted their booked performance obligations and continued entrenchment of their software into their customers everyday work lives, which sent their stock up 12% last week. Several retail names rallied as consumers continue to have strong balance sheets and spending patterns. According to **Visa Inc**., U.S. total credit card swipe volumes are about 148 indexed to pre-pandemic 2019 swipes. The top 10 performing stocks in the S&P 500 index included **Under Armor Inc.** which returned 7.46%, **Ralph Lauren Inc.** 6.39%**, Amazon.com Inc.** 6.25%, and **Estee Lauder Companies** 4.91%. Looking ahead to next week, we await CPI and Consumer Sentiment reports to see if equities will test new lows, or if the stock market will continue to recover.