US Economy and Credit Markets

Yields and Weekly Changes:

3 Mo. T-Bill:	0.20 (-01 bps)	GNMA (30 Yr) 6% Coupon:	112-08/32 (1.96%)
6 Mo. T-Bill:	0.38 (unch.)	Duration:	3.80 years
1 Yr. T-Bill:	0.51 (-05 bps)	Bond Buyer 40 Yield:	3.91 (-03 bps)
2 Yr. T-Note:	0.73 (-05 bps)	Crude Oil Futures:	44.61 (-1.31)
3 Yr. T-Note:	0.88 (-06 bps)	Gold Spot:	1,289.15 (-4.38)
5 Yr. T-Note:	1.23 (-07 bps)	Merrill Lynch High Yield Indices:	
10 Yr. T-Note:	1.77 (-06 bps)	U.S. High Yield:	8.03% (+20 bps)
30 Yr. T-Bond:	2.62 (-05 bps)	BB:	5.64% (+27 bps)
		B:	7.85% (+31 bps)

Treasury prices rose slightly over the course of the week on mixed economic data and a rate cut in Australia. On Monday, an increase in construction spending was paired with a lower than expected manufacturing report as Treasuries dropped slightly. Treasuries then rose significantly on Tuesday as a private survey in China showed that manufacturing contracted faster than expected while the Australian Reserve bank cut interest rates. These overseas concerns led investors to believe that it would be more difficult for the Federal Reserve to raise rates at the next meeting. Treasuries rose again on Wednesday on more mixed economic data as the ADP employment report was weaker than expected but the services-sector ISM data was slightly better than analysts forecasted. On Thursday, Treasuries declined for the third straight day as investors were worried about a poor jobs report on Friday, which did end up coming in lower than expected. However, Treasuries fell on Friday to end the week with only slight gains. Investors shook off a “hawkish” tone from several Fed speakers this week, believing that it is unlikely the Fed raises rates at next month’s meeting, putting more importance on this week’s global concerns and lackluster economic data domestically. This is evident by a market implied rate increase probability of only 6% for the June meeting, down from 12% last week. Major economic reports (and related consensus forecasts) for the upcoming week include: Tuesday: March Wholesale Inventories (0.1% MoM); Wednesday: May 6 MBA Mortgage Applications; Thursday: May 7 Initial Jobless Claims (270,000), April Import Price Index (0.6% MoM, -5.3% YoY); Friday: April Advance Retail Sales (0.8% MoM), April PPI Final Demand (0.1% MoM, 0.2% YoY), May Prelim. U. of Michigan Sentiment (89.9).

US Equities

Weekly Index Performance:		Market Indicators:	
DJIA:	17740.63 (-0.10%)	Strong Sectors:	Cons. Staples, Utilities, Cons. Discretionary
S&P 500:	2057.14 (-0.33%)		
S&P Midcap:	1452.71 (-0.59%)	Weak Sectors:	Info. Tech., Materials Energy
S&P Smallcap:	687.93 (-0.93%)		
NASDAQ Comp:	4736.16 (-0.73%)	NYSE Advance/Decline:	1,413 / 1,759
Russell 2000:	1097.72 (-1.40%)	NYSE New Highs/New Lows:	365 / 64
		AAII Bulls/Bears:	22.3% / 30.3%

Despite the S&P 500 returning -0.3% for the week, there were consumer bright spots in equities as the S&P 500 Consumer Staples Index was up 1.7% and the S&P 500 Consumer Discretionary Index was up 0.1%. The S&P 500 Energy Index on the other hand, fell -2.9% partly because oil fell from $45.92 down to $44.66. Another reason for the fall in the energy sector was a string of poor earnings announcements. **Helmerich & Payne Inc.** kicked off the week as the contract well driller announced an even bigger loss than analysts expected and returned -8.2% for the week as a result. **Anadarko Petroleum Corp.** also had a poor week, returning -11.8%, as the exploration & production company announced a significant quarterly loss and multiple sell side analysts cut their ratings from a buy to a neutral as a result. Further, **Halliburton Co.** terminated their merger agreement with **Baker Hughes Inc.** as regulators required them to sell too many additional assets if the two companies were going to become one. This requirement made the deal less valuable to Halliburton and a decision to cut ties was made. The deal was first announced in November of 2014 and approved by shareholders in March 2015 but was ultimately scuttled because of oil markets and regulators. Perhaps the most troubling announcement was from **Chesapeake Energy Corp.** when they announced late in the trading on Friday that the company may face additional collateral demands. These collateral needs are feared to be $943m compared to a previously announced $247m, as a result the company’s shares fell 11% in the final hour of trading on Friday. Shifting gears towards consumer companies, online travel booking had some poor announcements this week as broad competition seems to be limiting growth potential in the industry. **The Priceline Group Inc.** returned -7.5% after their May 4th announcement where they were more cautious about growth prospects dragging down nearly the whole industry. **TripAdvisor Inc.** had a -3.9% return because of Priceline’s announcement and an earnings miss of their own. Looking ahead to next week, earnings season is winding down but bellwether names **The Walt Disney Co.** and **Allergan plc.** are still expected to report.