US Economy and Credit Markets

Yields and Weekly Changes:

3 Mo. T-Bill:	0.17 (-11 bps)	GNMA (30 Yr.) 6% Coupon:	114-21/32 (0.88%)
6 Mo. T-Bill:	0.39 (-09 bps)	Duration:	3.94 years
1 Yr. T-Bill:	0.58 (-02 bps)	Bond Buyer 40 Yield:	3.81 (-01 bps)
2 Yr. T-Note:	0.75 (-01 bps)	Crude Oil Futures:	44.68 (+1.65)
3 Yr. T-Note:	0.89 (-02 bps)	Gold Spot:	1,337.65 (+27.3)
5 Yr. T-Note:	1.16 (-04 bps)	Merrill Lynch High Yield Indices:	
10 Yr. T-Note:	1.62 (-08 bps)	U.S. High Yield:	6.71% (-18 bps)
30 Yr. T-Bond:	2.34 (-10 bps)	BB:	4.88% (-13 bps)
		B:	6.65% (-20 bps)

Treasury prices rose over the course of the week as the Federal Reserve decided to keep interest rates at 0.25 during the September meeting. Treasury prices stayed steady the first two days of the week as home-builder confidence reached its highest reading in a decade on Monday and investors awaited the Fed decision. When the Fed announced on Wednesday that rates would remain the same, Treasuries rose modestly. However, 3- and 6-month Treasuries rose significantly as investors believed that the Fed's policy statement signaled that an interest rate hike was likely before the end of the year. This caused a flattening of the yield curve, which is usually a sign that investors believe that interest rates are about to rise. The Fed's dot-plot implied one rate hike in 2016 and two in 2017. This drop in yields occurred despite the Bank of Japan announcing earlier in the day a 10-year interest rate target to fight deflation. Treasuries continued to climb on Thursday despite lower than expected Initial Jobless Claims due to poor existing home sales and slower factory activity. Friday's manufacturing data was also weak and Treasuries remained steady despite the Boston Fed President saying he and two other dissenters wanted to raise rates. Major economic reports (and related consensus forecasts) for the upcoming week include: Monday: August New Home Sales (600,000), September Dallas Fed Manf. Activity (-3.0); Tuesday: September Prelim. Markit US Services PMI (51.2), September Consumer Confidence Index (98.7); Wednesday: September 23 MBA Mortgage Applications, August Prelim. Durable Goods Orders (-1.4%); Thursday: August Premlim. Wholesale Inventories (0.0% MoM), 2Q GDP Annualized (2.3% QoQ), 2Q Personal Consumption (4.4%), September 24 Initial Jobless Claims (260,000), August Pending Home Sales (0.0% MoM); Friday: August Personal Income (0.2%), August Personal Spending (0.1%), September Chicago Purchasing Manager (52.0), September Final U. Of Michigan Sentiment (90.0).

US Equities

Weekly Index Performance:		Market Indicators:	
DJIA:	18261.72 (0.76%)	Strong Sectors:	Utilities, Telecom
S&P 500:	2164.71 (1.20%)		Industrials
S&P Midcap:	1550.82 (1.97%)	Weak Sectors:	Financials, Energy
S&P Smallcap:	759.39 (2.56%)		Info Tech
NASDAQ Comp:	5305.75 (1.18%)	NYSE Advance/Decline:	2,500 / 635
Russell 2000:	1254.62 (2.45%)	NYSE New Highs/New Lows:	233 / 46
		AAII Bulls/Bears:	24.8% / 38.3%

Equity markets traded up this week as positive economic news, including another delay by the Fed in raising rates, fueled markets. The S&P 500 Index was up 1.2% but was outpaced by the S&P 400 Midcap Index (up 2.0%) and the S&P 600 Smallcap Index (up 2.6%). Year-to-date the S&P 600 Smallcap Index (up 15.0%) and the S&P 500 Midcap Index (up 13.1%) are far outpacing the S&P 500 Index (up 8.2%). So far 2016 has been a reversal of recent trends as 2013 was the last time the S&P 1000 Smidcap Index outpaced the S&P 500 Index. This week European stocks rallied as the U.K. FTSE 100 Index was up 3.0% in GBP, the French CAC 40 was up 3.6% in EUR and the German DAX rallied 3.4%. The U.S. Federal Reserve and the Bank of Japan continuing their monetary policies helped to lift many European equities higher. Crude oil had a volatile week. Crude opened the week close to $43 a barrel and rose to $46.32 Thursday, only to tumble down to $44.48 to close Friday. OPEC appeared to have a deal figured out on Thursday where the Saudi's offered to cut oil production as long as Iran froze production growth. However, on Friday it was announced that no OPEC deal was immanent, causing the crude price to fall. **FedEx Corp.** rallied nearly 10% this week as they announced strong earnings and guidance. FedEx management stated that they expect to see record holiday shipping this year and that they will add 50,000 seasonal workers as a result. **Adobe Systems Inc**. also rallied over 8.6% after they announced strong earnings and guidance primarily from higher than expected digital media spending. Looking forward to next week, markets should have a more up-to-date view on consumer spending as **Carnival Corp., NIKE Inc.**, **PepsiCo Inc.** and **Costco Wholesale Corp.** are expected to release quarterly results.