US Economy and Credit Markets

Yields and Weekly Changes:

3 Mo. T-Bill:	0.50 (-01 bps)	GNMA (30 Yr) 6% Coupon:	113-12/32 (1.86%)
6 Mo. T-Bill:	0.63 (+01 bps)	Duration:	4.23 years
1 Yr. T-Bill:	0.80 (+02 bps)	Bond Buyer 40 Yield:	4.27 (+01 bps)
2 Yr. T-Note:	1.20 (-02 bps)	Crude Oil Futures:	53.83 (+0.66)
3 Yr. T-Note:	1.46 (-02 bps)	Gold Spot:	1220.30 (+29.10)
5 Yr. T-Note:	1.91 (-04 bps)	Merrill Lynch High Yield Indices:	
10 Yr. T-Note:	2.47 (-02 bps)	U.S. High Yield:	6.22% (+01 bps)
30 Yr. T-Bond:	3.09 (+03 bps)	BB:	4.86% (+03 bps)
		B:	6.20% (+03 bps)

The Treasury curve steepened last week, with short term rates falling on decreased expectations for a March rate hike. The FOMC met last week and left the Fed Funds rate unchanged at 0.5%-0.75%, as expected. The accompanying statement reiterated their expectation for moderate economic growth with a slightly more hawkish tone. ADP reported an increase of 246k jobs in January, much higher than the survey of 168k. On Friday, the Labor Department also reported a strong jobs report for the month of January, reporting payrolls increased by 227k vs the median forecast of 180k, representing steady job market growth. The participation rate increased to a four-month high of 62.9 percent. Initial Jobless Claims fell more than expected from 260k to 246k. However, the unemployment rate increased from 4.7% to 4.8%. Average Hourly Earnings increased 0.1% MoM and 2.5% YoY. Personal income increased 0.3% in December, which was less than the expected 0.4% consensus, while Personal Spending met expectations of 0.5%. The Fed's favorite measure of inflation, the PCE deflator, rose 0.2% in December. The January ISM Manufacturing Index rose to 56.0 beating the consensus of 55.0 (levels above 50 indicate expansion and below 50 signal contraction). Major economic reports (and related consensus forecasts) for the upcoming week include: Tuesday: U.S. Trade Balance (-$45.0B, -$0.2B); Wednesday: weekly change in MBA Mortgage Applications; Thursday: monthly change in Wholesale Inventories (1.0%, unch.), prior week Initial Jobless Claims (249k, +3k); and Friday: University of Michigan Consumer Sentiment Index (97.9, +1.0).

US Equities

Weekly Index Performance:		Market Indicators:	
DJIA:	20,071.46 (-0.09%)	Strong Sectors:	Info Tech, Health Care, Cons. Staples
S&P 500:	2,297.42 (0.16%)		
S&P Midcap:	1,706.64 (0.61%)	Weak Sectors:	Industrials, Materials, Telecom.
S&P Smallcap:	841.34 (0.38%)		
NASDAQ Comp:	5,666.77 (0.13%)	NYSE Advance/Decline:	1,914 / 1,184
Russell 2000:	1,377.84 (0.54%)	NYSE New Highs/New Lows:	331 / 57
		AAII Bulls/Bears:	32.8% / 34.2%

Generally speaking, equity markets moved higher this week. The mid and small-cap S&P 1000 Index was up 0.5%, outpacing large-cap S&P 500 Index which returned 0.2%. American political announcements continued to dominate financial market headlines this week. President Trump signed his 'one in, two out' policy to curtail burdensome regulation, agreed to impose economic sanctions on Iran and penned executive actions to scale back the impact of Dodd-Frank for the financial industry. While these executive moves had mixed impacts on equity markets, the main economic driver of positive returns came from the jobs report on Friday. Change in private payrolls were +237k, the largest reported January number since 2012. Further, the S&P 500 Biotechnology Index was up 2.6%, while the S&P 500 Pharma Index was up 3.1% after President Trump softened his drug pricing language. Earnings season continued this week as 105 of the S&P 500 companies announced quarterly results. On the positive side, **AmerisourceBergen Corp.**, a health care supply-chain management company, rallied 4.4% on Tuesday after posting earnings that beat estimates and issuing strong guidance for 2017. Chemical conglomerate **Avery Dennison Corp.** also announced strong earnings and revenue numbers, along with guidance that send the stock up 9.1% on Wednesday. On the down side, **Under Armor Inc.** saw its shares fall -23.4% on Tuesday, as they missed revenue estimates by nearly 7% and delivered disappointing guidance for 2017. On Thursday, **HanesBrands Inc.** reported quarterly revenue short of estimates by 7%, blaming general retail weakness as they too issued underwhelming guidance for 2017. Looking ahead to next week we expect earnings season to continue as some 86 more S&P 500 companies are expected to announce quarterly results. Among them are mega-cap consumer names **The Coca-Cola Co.**, **The Walt Disney Co.** and **CVS Health Corp.**, also drug makers **Gilead Sciences Inc.** and **Allergan PLC**.