US Economy and Credit Markets

Yields and Weekly Changes:

3 Mo. T-Bill:	1.01 (+06 bps)	GNMA (30 Yr) 6% Coupon:	112-19/32 (2.14%)
6 Mo. T-Bill:	1.13 (+04 bps)	Duration:	4.14 years
1 Yr. T-Bill:	1.23 (+02 bps)	Bond Buyer 40 Yield:	4.08 (+05 bps)
2 Yr. T-Note:	1.38 (+04 bps)	Crude Oil Futures:	46.04 (+3.03)
3 Yr. T-Note:	1.55 (+07 bps)	Gold Spot:	1,241.61 (-15.1)
5 Yr. T-Note:	1.89 (+13 bps)	Merrill Lynch High Yield Indices:	
10 Yr. T-Note:	2.31 (+16 bps)	U.S. High Yield:	6.11% (+03 bps)
30 Yr. T-Bond:	2.84 (+12 bps)	BB:	4.65% (+07 bps)
		B:	6.20% (-02 bps)

Yields rose markedly across the board this week after investors digested comments from European Central Bank President Mario Draghi that the ECB will soon follow the Federal Reserve's less accommodative monetary policy. These hawkish comments were echoed by central bankers in Canada and the UK sending global bond markets for a tailspin. Lackluster inflation data in recent months continues to weigh on investors, however, Mario Draghi reiterated sentiment akin to Fed Chairwoman Janet Yellen's assurance that the weaker inflationary pressure is transient. On Friday, the Fed's preferred measure of inflation, the personal-consumption expenditures index, recorded the third monthly decline. Minutes from the June 14 FOMC Meeting will be released Wednesday which investors will scour for indications of the Fed's conviction to lessen accommodation. Major economic reports (related consensus forecasts; prior data) for the upcoming holiday-shortened week include: Monday: June Markit US Manufacturing PMI (52.1, 52.1), June ISM Manufacturing (55.0, 54.9), June ISM Prices Paid (58.5, 60.5), May Construction Spending MoM (0.2%, -1.4%); Wednesday: May Factory Orders (-0.5%, -0.2%), May Durable Goods Orders (--, -1.1%); Thursday: June 30 MBA Mortgage Applications (--, -6.2%), July 1 Initial Jobless Claims (244k, 244k), June ADP Employment Change (180k, 253k), May Trade Balance (-$46.2b, -$47.6b), June ISM Non-Manufacturing (56.5, 56.9); Friday: June Change in Nonfarm Payrolls (175k, 138k), June Unemployment Rate (4.3%, 4.3%).

US Equities

Weekly Index Performance:			Market Indicators:	
DJIA:	21,349.63	(-0.21%)	Strong Sectors:	Financials, Energy
S&P 500:	2,423.41	(-0.58%)		Consumer Discretionary
S&P Midcap:	1,746.65	(0.21%)	Weak Sectors:	Information Technology,
S&P Smallcap:	855.85	(0.38%)		Utilities, Health Care
NASDAQ Comp:	6,140.42	(-1.97%)	NYSE Advance/Decline:	1,688 / 1,404
Russell 2000:	1,415.36	(0.11%)	NYSE New Highs/New Lows:	297 / 57
			AAII Bulls/Bears:	29.7% / 26.9%

Stocks closed out the first half of the year up 9.3% as measured by the S&P 500. The gains came from an over 17% return in Technology stocks, which have recently been receding. For the week, the S&P 500 index closed lower by -0.58% with Technology stocks lagging the rest of the index. **Alphabet Inc.** and **Netflix Inc.** were both down over 5% last week. Financials and Energy stocks had the best returns last week. Banks rallied after clearing the annual stress tests and on improved outlook on the Federal Reserve raising interest rates. Decreasing U.S. supply buoyed oil prices as the commodity traded higher for the 7th straight day. This is the longest consecutive daily price gain for oil this year. The Trump administration is expected to make a decision on steel tariffs as a self-imposed deadline looms this week. Tariffs on foreign steel would put upward price pressure on the U.S., which is a net importer of the metal. **Acuity Brand Inc.,** a commercial lightning and controls company, jumped 10% on Thursday and closed out the week up 14.75% after reporting better than expected earnings during its third quarter. **Nike**, an athletic apparel manufacturer, also rose over 11% last week after announcing a distribution deal with **Amazon.com**. The company had resisted listing its products on the site to stay loyal to traditional brick and mortar department stores. Technology stocks including **Advanced Micro Devices, Seagate, and Lam Research** were the worst performers in the S&P 500 for the week. Looking ahead to next week, the Fed will release the minutes from the June meeting and the markets will be keeping a close eye on the policy and legislative turmoil that is happening in Washington.