US Economy and Credit Markets

Yields and Weekly Changes:

3 Mo. T-Bill:	1.07 (-01 bps)	GNMA (30 Yr) 6% Coupon:	112-20+/32 (1.95%)
6 Mo. T-Bill:	1.13 (+01 bps)	Duration:	4.06 years
1 Yr. T-Bill:	1.22 (+01 bps)	Bond Buyer 40 Yield:	4.01 (-02 bps)
2 Yr. T-Note:	1.35 (unch.)	Crude Oil Futures:	49.58 (-0.13)
3 Yr. T-Note:	1.50 (unch.)	Gold Spot:	1,258.88 (-10.76)
5 Yr. T-Note:	1.82 (-02 bps)	Merrill Lynch High Yield Indices:	
10 Yr. T-Note:	2.26 (-03 bps)	U.S. High Yield:	5.99 (+05 bps)
30 Yr. T-Bond:	2.84 (-05 bps)	BB:	4.54 (+04 bps)
		B:	6.06 (+04 bps)

Long term Treasury prices rose slightly and as short term Treasury prices dropped slightly over the course of the week on mixed economic reports and increased demand for government debt. The ISM Manufacturing Index fell moderately from last month and came in slightly below expectations on Tuesday while personal Income was flat as well. ADP Employment change was up over last month but still less than estimates on Thursday, while Initial Jobless Claims were in line with last week and expectations. Investors have also been skeptical that President Trump's pro-growth agenda items would be passed after efforts to repeal and replace the Affordable Care Act failed. This tempered investors' expectations for inflation, which many have speculated may cause the Federal Reserve to be less aggressive with rate hikes. On Wednesday, San Francisco Fed President John Williams said that the $4.5 trillion dollar balance sheet unwinding process would be "nice and easy" and that it would take about four years to be reduced to a reasonable size. On Friday, after three straight days of lower yields, better than expected Change in Nonfarm Payrolls and a slight uptick in average hourly earnings caused yields to rebound slightly. Overall, the market implied probability of interest rates remaining unchanged at the September Fed meeting was down slightly from the start of the week but still 94.4%. Major economic reports (related consensus forecasts; prior data) for the upcoming week include: Wednesday: August 4 MBA Mortgage Applications, June Final Wholesale Inventories (0.6%, 0.6% MoM); Thursday: August 5 Initial Jobless Claims (240k), July PPI Final Demand (0.1%, 0.1% MoM, 2.2%, 2.0% YoY); Friday: July CPI Final Demand (0.2%, 0.0% MoM, 1.8%, 1.6% YoY).

US Equities

Weekly Index Performance:			Market Indicators:	
DJIA:	22,092.81	(1.22%)	Strong Sectors:	Financials, Utilities Industrials
S&P 500:	2,476.83	(0.23%)		
S&P Midcap:	1,751.48	(-0.60%)	Weak Sectors:	Energy, Materials, Consumer Staples
S&P Smallcap:	854.60	(-1.19%)		
NASDAQ Comp:	6,351.56	(-0.34%)	NYSE Advance/Decline:	1,522 / 1,546
Russell 2000:	1,412.32	(-1.17%)	NYSE New Highs/New Lows:	388 / 131
			AAII Bulls/Bears:	36.1% / 32.1%

Last week equity markets, measured by the S&P 500, traded higher with a 0.23% return. Investor confidence in the US economy was bolstered by a strong July payroll report and an upward revision to May and June's job number. Average hourly earnings also rose month over month at a 0.3% rate. The Fed will look to these numbers as it contemplates a rate increase during the second half of the year. With inflation low and a despite tight labor market, the Fed may hold off on an increase until 2018. From a global perspective, the second quarter didn't slow down after a strong first quarter. With more than two thirds of US and European companies reporting quarterly results, earnings growth has clocked in just above 10%. One of the largest global companies, **Apple**, reported earnings on Tuesday that beat analyst expectations. The company, along with the other 29 members, lifted the Dow Jones Industrial Average to an all-time high of over 22,000. Large Caps continue to move the markets as the S&P 500 outperformed the Mid and Small cap indices last week. The top performer in the S&P last week was **Illumnia Inc,** a life sciences company specializing in gene analysis tools. The company reported higher profits and sales versus analyst estimates and raised 2017 sales guidance. The Materials sector was one of the worst performers in the S&P 500 last week, however two companies **CF Industries** and **FMC Corp** went against the grain. Both companies reported better than expected quarterly results and were rewarded with over a 10% return for the week. Looking ahead to next week, inflation will be on the investor's minds when the CPI number is released on Friday.