US Economy and Credit Markets

Yields and Weekly Changes:

3 Mo. T-Bill:	2.319 (1.5 bps)	GNMA (30 Yr) 6% Coupon:	105-14/32 (4.31%)
6 Mo. T-Bill:	2.463 (-0.5 bps)	Duration:	4.16 years
1 Yr. T-Bill:	2.610 (-5.1 bps)	Bond Buyer 40 Yield:	4.23 (-5 bps)
2 Yr. T-Note:	2.806 (-9.8 bps)	Crude Oil Futures:	67.59 (-1.53)
3 Yr. T-Note:	2.855 (-12.7 bps)	Gold Spot:	1,233.53 (+7.04)
5 Yr. T-Note:	2.907 (-13.9 bps)	Merrill Lynch High Yield Indices:	
10 Yr. T-Note:	3.076 (-11.7 bps)	U.S. High Yield:	6.96 (18 bps)
30 Yr. T-Bond:	3.310 (-6.6 bps)	BB:	5.72 (12 bps)
		B:	7.23 (20 bps)

Treasury prices rose significantly over the course of the week as equities dropped and investors were seeking the perceived safety of Treasurys. On Tuesday, a large drop in the Chinese stock market stoked fears domestically and Treasury prices rose moderately. Treasurys then rose significantly on Wednesday with a large sell-off in the equity market on a lackluster outlook for U.S. corporate earnings and trade worries between the U.S. and China. After a slight pullback on Thursday, Treasury prices continued to rise significantly on Friday after another equity market sell-off. Investors put money into Treasurys as there were more worries about global economic growth and Federal Reserve policy. The market implied probability of a rate hike at the December meeting dropped from 81% to 69% over the course of the week. Major economic reports (related consensus forecasts, prior data) for the upcoming week include: Monday: September Personal Income (0.4%, 0.3%), September Personal Spending (0.4%, 0.3%); Tuesday: October Conf. Board Consumer Confidence (135.9, 138.4); Wednesday: October 26 MBA Mortgage Applications (N/A, 4.9%, October ADP Employment Change (189k, 230k), October Chicago Purchasing Manager (60.3, 60.4); Thursday: October 27 Initial Jobless Claims (213k, 215k), October Final Markit US Manufacturing PMI (55.8, 55.9), September Construction Spending MoM (0.1%, 0.1%), October ISM Manufacturing (59.0, 59.8); Friday: September Trade Balance (-$53.5b, -$53.2b), October Change in Nonfarm Payrolls (190k, 134k); Friday: October Unemployment Rate (3.7%, 3.7%), September Factory Orders (0.5%, 2.3%), September Final Durable Goods Orders (N/A, 0.8%).

US Equities

Weekly Index Performance:		Market Indicators:	
DJIA:	24,688.31 (-2.97%)	Strong Sectors:	Real Estate, Cons Staples, Utilities
S&P 500:	2,658.69 (-3.93%)		
S&P Midcap:	1,795.10 (-4.10%)	Weak Sectors:	Energy, Industrials, Financials
S&P Smallcap:	932.15 (-3.10%)		
NASDAQ Comp:	7,167.21 (-3.78%)	NYSE Advance/Decline:	831 / 2,162
Russell 2000:	1,721.72 (-3.76%)	NYSE New Highs/New Lows:	9 / 528
		AAII Bulls/Bears:	28.0% / 41.0%

Stocks ended a volatile week sharply lower as many bellwethers offered disappointing earnings and guidance. Markets sold-off on worries corporate profit growth may start to wane and whether a slowdown in Emerging Markets and Europe could slow U.S. economic growth. In economic news, new homes sales came in below consensus, while durable goods orders surprised to the upside. GDP grew at a 3.5% annualized pace for the 3rd quarter, which combined with last quarter marks the best back-to-back quarters since 2014. In earnings news, **Amazon.com Inc.** and **Alphabet Inc.** both fell after issuing disappointing revenue growth. Cyclical stocks experienced the biggest losses for the week as shares of **Caterpillar Inc.** fell sharply after management acknowledged higher input and freight costs, partially because of tariffs. Housing related names continued to move lower as **Mohawk Industries Inc.**, a manufacturer of flooring, plunged on weak end markets, higher-than-expected costs and unfavorable product mix with customers opting for cheaper flooring. Homebuilder **PulteGroup Inc.** bucked the trend and reported a strong quarter on reduced costs and a small increase in new orders. Looking ahead, investors will continue to grapple with a range of unknowns, including rising interest rates, concerns over the pace of earnings growth and the possibility that tariffs have lowered global growth. While earnings season so far has disappointed investors, the S&P 500 is still on pace to grow earnings by 23% for the quarter. If fundamentals can remain strong, investors are being given an opportunity to invest at discounted prices.

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