

US Economy and Credit Markets			
Yields and Weekly Changes:			
3 Mo. T-Bill:	1.590 (3.6 bps)	GNMA (30 Yr) 6% Coupon:	109-05/32 (3.36%)
6 Mo. T-Bill:	1.821 (8.8 bps)	Duration:	4.34 years
1 Yr. T-Bill:	1.971 (9.6 bps)	Bond Buyer 40 Yield:	4.00 (1 bps)
2 Yr. T-Note:	2.189 (11.6 bps)	Crude Oil Futures:	61.68 (+2.48)
3 Yr. T-Note:	2.384 (9.6 bps)	Gold Spot:	1,346.96 (+30.31)
5 Yr. T-Note:	2.629 (8.6 bps)	Merrill Lynch High Yield Indices:	
10 Yr. T-Note:	2.875 (2.4 bps)	U.S. High Yield:	6.42 (-18.0 bps)
30 Yr. T-Bond:	3.132 (-2.8 bps)	BB:	5.08 (-11 bps)
		B:	6.51 (-21 bps)

Short-term Treasury yields rose sharply last week as investors reacted to stronger than expected inflation data. January's reading for Core CPI, which excludes volatile food and energy prices, came out at 0.3% on Wednesday, beating the median consensus of 0.2%. This was the largest monthly increase in over a year and the acceleration has boosted the three-month annualized core CPI to 2.9%. The Producer Price Index report on Thursday also showed prices climbing higher than expectations, with the year-over-year reading rising to 2.2%, excluding food and energy. Bond yields spiked with the benchmark 10-yr Treasury note touching a multi-year high of 2.94%. Consequently, fed funds futures have solidified a March rate increase and reflect an increased probability of four rate hikes this year versus three. The January 31 FOMC meeting minutes will be released on Wednesday, which investors will scour for insight on the Fed's expectations for inflation. February CPI data will be available before the March FOMC meeting, which will be the first led by the new Fed Chair Jerome Powell. At his swearing-in ceremony, he reiterated the Fed's plan of gradual rate increases and balance sheet normalization unless economic data points to financial instability. Major economic reports (related consensus forecasts, prior data) for the upcoming holiday-shortened week include Wednesday: February 16 MBA Mortgage Applications (N/A, -4.1%), January Existing Home Sales (5.62m, 5.57m), and February preliminary Markit US Manufacturing PMI (55.5, 55.5); Thursday: February 17 Initial Jobless Claims (230k, 230k), February 10 Continuing Claims (1935k, 1942k), and January Leading Index (0.7%, 0.6%).

US Equities			
Weekly Index Performance:		Market Indicators:	
DJIA:	25,219.38 (4.36%)	Strong Sectors:	Information Technology, Financials, Industrials
S&P 500:	2,732.22 (4.37%)	Weak Sectors:	Real Estate, Energy
S&P Midcap:	1,901.19 (4.47%)		Telecommunication Services
S&P Smallcap:	942.05 (4.37%)	NYSE Advance/Decline:	2,353 / 739
NASDAQ Comp:	7,239.47 (5.36%)	NYSE New Highs/New Lows:	125 / 228
Russell 2000:	1,543.55 (4.48%)	AAII Bulls/Bears:	48.5% / 21.4%

After giving up the year's gains to start the month, the S&P 500 returned 4.4% last week to put the index back in positive territory for the year. U.S. stocks had their best week in five years and the dollar rose from a three-year low. Volatility is a key concern for investors, as the steady upward climb of 2017 has not carried over into 2018. News out of Washington rattled the markets late Friday afternoon when U.S. Special Counsel Robert Mueller announced an indictment against 13 Russian nationals for interfering with the 2016 election. Political negativity has been outshined in the markets by positive earnings surprises. Of the 77% of S&P 500 companies that have reported earnings this year, 76% have beat earnings expectations. Some of the big movers last week were the biggest laggards of 2017. **Under Armour** was up over 26% last week after better than expected quarterly sales and high growth rates in international sales expected for 2018. **Chipotle Mexican Grill** installed a seasoned CEO to its management team. Brian Niccol, formerly of Taco Bell, will join the company and receive a pay package of over \$32 million dollars. Investors hope Niccol will turn around the company after multiple missteps the past few years. On Friday, Commerce Secretary Wilbur Ross proposed a 24% tariff on steel imports and 7.7% duty on aluminum. Domestic metal producer's stocks rose on the news. The President will have to consider the risk of retaliation from exporting nations if the tariffs and duties are implemented. Looking ahead to next week, investors' will focus on inflation as the Federal Reserve releases the minutes of the January meeting.

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