US Economy and Credit Markets

Yields and Weekly Changes:

3 Mo. T-Bill:	1.966 (2.6 bps)	GNMA (30 Yr) 6% Coupon:	106-29/32 (3.90%)
6 Mo. T-Bill:	2.154 (4.9 bps)	Duration:	3.95 years
1 Yr. T-Bill:	2.344 (4.1 bps)	Bond Buyer 40 Yield:	3.96 (0 bps)
2 Yr. T-Note:	2.578 (4.1 bps)	Crude Oil Futures:	71.01 (-2.79)
3 Yr. T-Note:	2.652 (2.2 bps)	Gold Spot:	1,244.32 (-11.16)
5 Yr. T-Note:	2.725 (0.7 bps)	Merrill Lynch High Yield Indices:	
10 Yr. T-Note:	2.827 (0.5 bps)	U.S. High Yield:	6.61 (-9 bps)
30 Yr. T-Bond:	2.931 (0.2 bps)	BB:	5.49 (-7 bps)
		B:	6.80 (-8 bps)

United States Treasury bond prices slid early in the week, pushing Treasury yields higher. Auctions for short-dated Treasury notes were weak on Tuesday. With the Federal Reserve gradually raising rates, investors have been wary of buying short-dated government paper which tracks the benchmark rate. Treasury yields dropped in the middle of the week while investors purchased U.S. government notes as the market reacted to the White House planning to place a 10% tariff on an additional $200 billion of Chinese goods. Thursday, the two-year Treasury note yield touched its highest level since July of 2008, because of consumer inflation hitting a six-year high, indicating rising price pressures. However, yields were contained due to inflation-adjusted hourly earnings having shown little movement over recent periods. The lack of a large sell-off indicates that investors discounted price pressures accelerating throughout the economy. The week ended with Treasury yields falling on Friday as the yield curve continues to flatten as the gap between the two-year note and 10-year note narrowed by roughly 5 bps. The yield curve continues to flatten as senior Fed officials remain hawkish and the demand for U.S. government paper increases. Major economic reports (related consensus forecasts, prior data) for the upcoming week include: Monday: July Empire Manufacturing (21.0, 25.0), June Retail Sales Advance MoM (0.5%, 0.8%); Tuesday: June Industrial Production MoM (0.5%, -0.1%); Wednesday: July 13 MBA Mortgage Applications (N/A, 2.5%), June Housing Starts (1320k, 1350k); Thursday: July 14 Initial Jobless Claims (221k, 214k), June Leading Index (0.5%, 0.2%).

US Equities

Weekly Index Performance:		Market Indicators:	
DJIA:	25,019.41 (2.32%)	Strong Sectors:	Industrials, Cons. Discretionary
S&P 500:	2,801.31 (1.55%)		Health Care
S&P Midcap:	1,989.49 (0.37%)	Weak Sectors:	Telecom, Real Estate
S&P Smallcap:	1,045.81 (-0.37%)		Utilities
NASDAQ Comp:	7,825.98 (1.79%)	NYSE Advance/Decline:	1,458 / 1,504
Russell 2000:	1,687.08 (-0.40%)	NYSE New Highs/New Lows:	99 / 31
		AAII Bulls/Bears:	43.1% / 29.2%

Equities traded up last week, despite continued tariff risks. The S&P 500 index returned over 1.5% led by the technology sector. The largest contributors to the technology sector last week were **Microsoft Corp.**, **Apple Inc.**, **Alphabet Inc.** (Google) and **Facebook Inc.** On top of the best contributors, **CA Inc.** agreed to be acquired by **Broadcom Inc.** for all cash. Shares of CA soared over 18%, the best in the sector; while Broadcom fell by over 18%, the worst in the sector, showing how little equity markets enjoyed this news from Broadcom. Growth stocks continued to outpace value stocks last week, the S&P 500 Growth index returned 1.9% and the S&P 500 Value index returned 0.9%. Year-to-date growth has returned 11.4% while value has returned -0.3%. The large growth performance continues to be led by blue chip technology names. Mega-cap banks, **JPMorgan Chase & Co.**, **Wells Fargo & Co.** and **Citigroup Inc.**, announced quarterly results Friday morning. The banks all reported results that were roughly in line with expectations and ended the day down slightly, but their quarterly performance continues to bolster the overall strength of the U.S. economy. Last week, nonfarm payrolls were very strong and hourly earnings robust. The unemployment rate ticked up from 3.8% to 4% bucking recent trends. However, the rise in unemployment was likely driven by the labor force participation rate growing rather than people losing their jobs. This trend underscores the strength of the current job market as more previously discouraged workers are back searching for jobs. Looking ahead to next week, earnings season gets into full swing as 61 companies in the S&P 500 are expected to report, including: **Microsoft Corp.**, **Johnson & Johnson**, **UnitedHealth Group Inc.**, **Netflix Inc.** and **General Electric Co.**