US Economy and Credit Markets

Yields and Weekly Changes:

3 Mo. T-Bill:	2.143 (1.3 bps)	GNMA (30 Yr) 6% Coupon:	106-04/32 (4.11%)
6 Mo. T-Bill:	2.328 (2.9 bps)	Duration:	4.03 years
1 Yr. T-Bill:	2.554 (4.7 bps)	Bond Buyer 40 Yield:	4.10 (4 bps)
2 Yr. T-Note:	2.778 (7.5 bps)	Crude Oil Futures:	68.99 (1.24)
3 Yr. T-Note:	2.854 (8.2 bps)	Gold Spot:	1,194.85 (-2.08)
5 Yr. T-Note:	2.903 (8.2 bps)	Merrill Lynch High Yield Indices:	
10 Yr. T-Note:	2.996 (5.7 bps)	U.S. High Yield:	6.50 (-10 bps)
30 Yr. T-Bond:	3.131 (3.0 bps)	BB:	5.30 (-6 bps)
		B:	6.77 (-11 bps)

Treasury prices dropped moderately over the course of the week on increased supply of short-term debt. On Tuesday, an offering of short-term treasuries, which are most vulnerable to interest rate increases, was met with tempered demand causing Treasury prices to fall in order to make room for the new supply. Investors continue to expect faster rate hikes from the Federal Reserve as the implied probability of a second rate hike by December rose to 77.2%, compared to 66.9% a week ago. Wholesale inflation of -0.1% was lower than the expected 0.2% and consumer prices rose only 0.2% compared to an expected 0.3%, which tempered fears of increased inflation, especially after a higher than expected increase in wages. Treasury yields did not move very much the rest of the week as retail sales growth of 0.1% was below an expected 0.4% but industrial production was up 0.4% compared to an expected growth of 0.3%. Yields rose slightly on Friday as investors were more optimistic with regard to the trade tensions between the U.S. and China. Major economic reports (related consensus forecasts, prior data) for the upcoming week include: Monday: September Empire Manufacturing (23.0, 25.6); Wednesday: September 14 MBA Mortgage Applications (N/A, -1.8%), August Housing Starts (1.24m, 1.168m); Thursday: September 15 Initial Jobless Claims (210k, 204k), August Leading Index (0.5%, 0.6%), August Existing Home Sales (5.38m, 5.34m); Friday: September Prelim. Markit US Manufacturing PMI (55.0, 54.7).

US Equities

Weekly Index Performance:		Market Indicators:	
DJIA:	26,154.67 (+0.94%)	Strong Sectors:	Telecom, Energy, Industrials
S&P 500:	2,904.98 (+1.21%)		
S&P Midcap:	2,046.56 (+1.00%)	Weak Sectors:	Financials, Real Estate, Utilities
S&P Smallcap:	1,086.35 (+0.53%)		
NASDAQ Comp:	8,010.04 (+1.39%)	NYSE Advance/Decline:	1,772 / 1,287
Russell 2000:	1,721.72 (+0.54%)	NYSE New Highs/New Lows:	244 / 257
		AAII Bulls/Bears:	32.1% / 32.8%

After falling last week, equities regained their footing and posted solid gains for the week on renewed trade deal optimism. President Donald Trump directed aides to procced with tariffs on an additional $200 billion in Chinese goods. However, the administration has delayed an announcement on the new round of tariffs due to concerns raised by corporations. Information technology stocks rallied, recovering part of the losses the sector suffered last week on fears of more stringent regulation and the effect of tariffs on the industry's trade-dependent companies. In economic news, U.S. core inflation unexpectedly dropped in August as medical-care costs and apparel prices fell, leaving room for the Federal Reserve to continue to raise rates slowly. The Fed is widely expected to raise rates later this month. In stock news, **Activision Blizzard, Inc.** released a new multiplayer battle royale game to compete with Fortnite. **Apple Inc.** unveiled three new smartphones with higher price tags and a next generation watch with added health features. Shares of **Sonic Corp.** jumped after the restaurant chain pre-announced better-than-expected comparable store sales on increased store traffic. **Discovery, Inc.** shares moved higher following a licensing agreement with Hulu to provide over 4,000 episodes on the streaming service. Looking ahead to the future, trade sentiment will likely continue to drive sentiment in the market over the short-run with earnings season nearly a month away. With the S&P 500 in reach of recent highs, continued strength in corporate profits could propel the market to new highs in the coming quarters. The S&P 500 is projected to grow earnings by 19.3% next quarter and 23.5% for 2018.