US Economy and Credit Markets

Yields and Weekly Changes:

3 Mo. T-Bill:	2.340 (0.3 bps)	GNMA (30 Yr) 6% Coupon:	105-30/32 (4.08%)
6 Mo. T-Bill:	2.345 (-3.1 bps)	Duration:	3.69 years
1 Yr. T-Bill:	2.200 (-12.1 bps)	Bond Buyer 40 Yield:	3.71 (-4 bps)
2 Yr. T-Note:	1.922 (-24.2 bps)	Crude Oil Futures:	53.50 (-5.13)
3 Yr. T-Note:	1.873 (-23.0 bps)	Gold Spot:	1,305.58 (20.65)
5 Yr. T-Note:	1.911 (-21.0 bps)	Merrill Lynch High Yield Indices:	
10 Yr. T-Note:	2.125 (-19.6 bps)	U.S. High Yield:	6.94 (21 bps)
30 Yr. T-Bond:	2.569 (-18.3 bps)	BB:	5.31 (13 bps)
		B:	7.41 (25 bps)

Treasury Prices rose significantly over the week on increased trade war fears. On Monday, President Trump said that the U.S. was not ready to make a deal with China, following his trip to Japan and said that tariffs on China “could go up very, very substantially.” China responded Tuesday with reports that they could scale back exports of rare earth materials to the U.S. and China’s vice foreign minister said that instigating trade wars was “naked economic terrorism.” Trade fears escalated on Friday when Trump turned his attention to Mexico with a threat of tariffs if they do not help the U.S. curb illegal immigration along the U.S. Southern border. The plan called for a 5% tariff on Mexican imports on June 10, rising incrementally to 25% by October 1st if Mexico failed to act. This has also led investors to expect the Federal Reserve to cut interest rates sooner as the market implied probably of an interest rate cut at the July meeting rose from 17% to 48% this week. Major economic reports (related consensus forecasts, prior data) for the upcoming week include: Oil dropped 9% over the course of the week. Monday: May Final Markit US Manufacturing PMI (50.6, 50.6), May ISM Manufacturing (53.0, 52.8), April Construction Spending MoM (0.4%, -0.9%); Tuesday: April Factory Orders (-0.9%, 1.9%), April Final Durable Goods Orders (n/a, -2.1%); Wednesday: May 31 MBA Mortgage Applications (n/a, -3.3%), May ADP Employment Change (185k, 275k)’ Thursday: Jun 1 Initial Jobless Claims (215k, 215k), April Trade Balance (-$50.5b, $50.0b); Friday: May Change in Nonfarm Payrolls (180k, 263k), May Unemployment Rate (3.6%, 3.6%), April Final Wholesale Inventories MoM (0.7%, 0.7%).

US Equities

Weekly Index Performance:		Market Indicators:	
DJIA:	24,815.04(-2.93%)	Strong Sectors:	Real Estate, Materials, Cons. Discretionary
S&P 500:	2,752.06 (-2.58%)		
S&P Midcap:	1,810.50 (-2.76%)	Weak Sectors:	Financials, Cons. Staples, Energy
S&P Smallcap:	888.72 (-3.10%)		
NASDAQ Comp:	7,453.15 (-2.39%)	NYSE Advance/Decline:	745 / 2,319
Russell 2000:	1,591.82 (-3.18%)	NYSE New Highs/New Lows:	234 / 326
		AAII Bulls/Bears:	24.8% / 40.1%

Domestic equities experienced losses last week as disappointing trade news dominated headlines. U.S. President Donald Trump returned from his trip to Japan with news that a near-term trade deal didn’t seem likely, China “was not ready to make a long-term deal’ and then ended last week announcing new tariffs on Mexico in an effort to stem the flow of illegal immigrants into the U.S. The new tariffs on imports from Mexico are scheduled to start on June 10th at 5% and to escalate to 25% by October 1st. Mexican President Lopez Obrador has sent his foreign minister to Washington D.C. to negotiate with U.S. officials to try and avoid the June 10th tariffs. U.S. 1Q19 annualized GDP growth was revised down to 3.1% from the previously announced 3.2%. Both measurements were well ahead of economist projections of 2.3% from April and speak to the strength of the U.S. economy. **Uber Technologies Inc.** announced quarterly financial results for the first time since their IPO on May 9th and saw shares up 1.5% Friday, while the general market was down. The company is focused on becoming a one-stop shop for local transportation and commerce. In 1Q19 they averaged 17m trips per day, with an annualized booking rate of $59b or 41% year-over-year growth. The company did manage to lose over $1b last quarter, mostly from promotional costs as they continue to strive for acceptance in many of their end markets. U.S. retail continues to struggle, the most recent casualty was **The Gap Inc.** Despite restructuring plans to spin off their Old Navy brand, the stock fell 9.3% on poor earnings and has fallen 26% for the year. Looking ahead, tariff and trade news will likely drive near-term market returns. Remembering the strong U.S. macroeconomic picture of robust job market, strong corporate earnings and sturdy GDP growth is important for long-term stock market investors. We currently remain constructive on equities long-term, making these near-term dips in equities favorable entry points.