US Economy and Credit Markets

Yields and Weekly Changes:

3 Mo. T-Bill:	1.956 (0.8 bps)	GNMA (30 Yr) 6% Coupon:	111-04/32 (2.53%)
6 Mo. T-Bill:	1.911 (4.9 bps)	Duration:	3.73 years
1 Yr. T-Bill:	1.866 (12.9 bps)	Bond Buyer 40 Yield:	3.63 (8 bps)
2 Yr. T-Note:	1.800 (26.0 bps)	Crude Oil Futures:	54.85 (-1.67)
3 Yr. T-Note:	1.758 (28.0 bps)	Gold Spot:	1,488.53 (-18.29)
5 Yr. T-Note:	1.751 (31.8 bps)	Merrill Lynch High Yield Indices:	
10 Yr. T-Note:	1.896 (33.6 bps)	U.S. High Yield:	
30 Yr. T-Bond:	2.371 (34.6 bps)	BB:	4.67 (5 bps)
		B:	6.73 (-7 bps)

U.S. government bond yields surged last week, reversing a recent slide, on strong economic data and easing trade tensions between the U.S. and China. Retail sales grew a strong 0.4% in August over the prior month, beating expectations, largely driven by higher spending on vehicles. Over the prior year, retail sales grew by 4.1%. The American consumer has largely been a strong spot in the U.S. economy, and Friday's retail sales data bolstered that view. Additionally, the University of Michigan's Consumer Sentiment Index came in slightly higher than expectations. On the trade front, President Trump delayed tariff increases on $250 billion of imports from China while China said it will exempt purchases of U.S. soybeans, pork, and other agricultural products from punitive tariffs. Meanwhile, the European Central Bank and its outgoing President Mario Draghi launched a major monetary stimulus package last week in response to a longer-than-expected slowdown in the eurozone economy and soft inflation. In other central bank news, the FOMC meets on Tuesday and Wednesday this week and is widely expected to cut interest rates by a quarter-point. Major economic reports (related consensus forecasts, prior data) for the upcoming week include: Monday: September Empire Manufacturing (4.0, 4.8); Tuesday: August Industrial Production MoM (0.2%, -0.2%); Wednesday: September 18 FOMC Rate Decision – Upper Bound (2.00%, 2.25%), September 13 MBA Mortgage Applications (N/A, 2.0%), August Housing Starts (1,247k, 1,191k); Thursday: September 14 Initial Jobless Claims (212k, 204k), August Existing Home Sales (5.37m, 5.42m), August Leading Index (0.1%, 0.5%).

US Equities

Weekly Index Performance:		Market Indicators:	
DJIA:	27,219.52 (+1.65%)	Strong Sectors:	Financials, Energy, Materials
S&P 500:	3,007.39 (+1.02%)		
S&P Midcap:	1,963.16 (+2.77%)	Weak Sectors:	Real Estate, Cons Staples, Info Tech
S&P Smallcap:	975.95 (+4.99%)		
NASDAQ Comp:	8,176.71 (+0.94%)	NYSE Advance/Decline:	1,852 / 1,218
Russell 2000:	1,578.14 (+4.90%)	NYSE New Highs/New Lows:	283 / 35
		AAII Bulls/Bears:	33.1% / 31.3%

Stocks moved higher for the week on better-than-expected economic data and trade optimism as Treasury Secretary Steven Mnuchin said there has been "lots of progress" between the U.S. and China. The consumer remains especially strong as retail sales were above expectations and consumer confidence rebounded from August. The market was extremely bifurcated for the week with value and cyclical stocks outperforming growth and safety names. Strong economic data points and a sharp rise in longer duration treasury yields led to robust performance for financial shares, while real estate, consumer staples and utilities lagged as all three sectors tend to be interest-rate sensitive. Turning to stock news, shares of **Oracle Corp**. dropped after reporting a disappointing quarter as cloud sales remain challenged. In addition, Chief Executive Officer Mark Hurd announced he will take an unexpected leave of absence due to health reasons. **HD Supply Holdings, Inc.** declined after issuing disappointing guidance on weakness in the construction and industrial end markets. **Progressive Corp**. fell after reporting a worsening combined ratio on higher losses in its underwriting book. Despite posting a 32% rise in billings, shares of **Zscaler, Inc**. plummeted as the cloud-based security firm did not beat street expectations by a wide enough margin. Looking ahead to next week, investors will be focused on the Federal Reserve and other central banks around the globe setting interest rates. Sector and style reposition may impact markets in the weeks to come as last week's sharp reversal to economically sensitive sectors and value stocks at the expense of lower volatility and past winners could persist or revert back.