

US Economy and Credit Markets			
Yields and Weekly Changes:			
3 Mo. T-Bill:	0.114 (1.5 bps)	GNMA (30 Yr) 6% Coupon:	111-18/32 (2.49%)
6 Mo. T-Bill:	0.134 (unch.)	Duration:	3.70 years
1 Yr. T-Bill:	0.150 (1.0 bps)	Bond Buyer 40 Yield:	3.74 (-7 bps)
2 Yr. T-Note:	0.168 (2.3 bps)	Crude Oil Futures:	33.25 (3.82)
3 Yr. T-Note:	0.207 (2.4 bps)	Gold Spot:	1,734.68 (-8.99)
5 Yr. T-Note:	0.333 (2.5 bps)	Merrill Lynch High Yield Indices:	
10 Yr. T-Note:	0.659 (1.6 bps)	U.S. High Yield:	7.71 (-58 bps)
30 Yr. T-Bond:	1.370 (4.4 bps)	BB:	5.56 (-53 bps)
		B:	8.01 (-64 bps)

Treasury yields rose slightly over the course of the week on positive news on the development of a vaccine. On Monday, drug maker Moderna announced the completion of a phase-one clinical trial of their COVID-19 vaccine with positive results. This caused Treasury yields to have their largest daily surge in two months on Monday as investors took a risk-on approach. Also contributing to Monday's rally were comments by Federal Reserve Bank Chairman Jerome Powell. He said that the central bank still had ammunition and that there was no limit to what the Fed could do to lend money to the financial markets. However, yields dropped on Tuesday when Powell tempered his remarks in testimony to the Senate Banking committee and there were questions as to if there were sufficient data on the Moderna vaccine. Yields were flat on Wednesday and Thursday as the Treasury department held its first sale of 20-year bonds since 1986. Investors continued to seek the perceived safety of Treasuries on Friday as tensions between the U.S. and China picked up. The U.S. Congress introduced a bill that would prevent Chinese companies from listing on U.S. exchanges, requiring them to show they are not owned or controlled by a foreign government. Oil prices rose 13% over the week on ongoing output cuts and increased demand for fuel. Major economic reports (related consensus forecasts, prior data) for the upcoming holiday-shortened week include: Tuesday: May Conf. Board Consumer Confidence (87.3, 86.9), April New Home Sales (493k, 627k); Wednesday: May 22 MBA Mortgage Applications (n/a, -2.6%); Thursday: 1Q S Annualized GDP QoQ (-4.8%, -4.8%), April Prelim. Durable Goods Orders (-18.0%, -14.7%), May 23 Initial Jobless Claims (2000k, 2438k); Friday: April Prelim. Wholesale Inventories (-0.7% m -0.8%), April Personal Income (-6.5%, -2.0%), April Personal Spending (-12.8%, -7.5%), May MNI Chicago PMI (40.0, 35.4), May Final U. of Mich. Sentiment (74.0, 73.7).

US Equities			
Weekly Index Performance:		Market Indicators:	
DJIA:	24,465.16 (3.43%)	Strong Sectors:	Industrials, Energy,
S&P 500:	2,955.45 (3.27%)		Real Estate
S&P Midcap:	1,695.33 (7.44%)	Weak Sectors:	Health Care, Cons Staples,
S&P Smallcap:	775.34 (8.88%)		Utilities
NASDAQ Comp:	9,324.59 (3.48%)	NYSE Advance/Decline:	2,656 / 384
Russell 2000:	1,355.53 (7.87%)	NYSE New Highs/New Lows:	90 / 24
		AAll Bulls/Bears:	29.0% / 45.0%

The S&P 500 Index returned 3.27% last week, gaining back the previous week's losses. The index is now down less than 7.8% year-to-date and is up over 32.5% since its closing low on March 23. Monday showed its best performance since early April, climbing 3.16% with strength seen in energy stocks as crude oil futures jumped 8.12%. Equity markets were boosted by reports of early positive results from Moderna's COVID-19 vaccine trial. Positive comments from both Federal Reserve Chairman Jerome Powell and European Central Bank President Christine Lagarde implying their ability and willingness to adjust and respond to the current economic conditions reinforced the optimism. Building permits, housing starts, and existing home sales all reported double-digit month-over-month declines for April. U.S. initial jobless claims remain historically high, though last week's 2.44 million is the lowest weekly claims number reported since mid-March. Crude oil closed at \$33.25 per barrel on Friday, increasing 12.98% for the week. Specialty apparel store company **L Brands Inc.** was the best performer in the S&P 500 Index, returning 38.86%. Though the company reported large first quarter losses last week, the stock rallied on news that the company was intent on separating its **Victoria's Secret** line into a standalone business and several analysts upgraded their price targets for the stock. **United Airlines Holdings Inc.** returned 27.51% as vaccine optimism helped lift some of the hard-hit airline industry stocks. Air travel demand has been shuttered by the coronavirus pandemic. Other top performing airline stocks included **Alaska Air Group Inc.**, **Southwest Airlines Company**, and **Delta Air Lines Inc.** Medical device manufacturer **Becton, Dickinson & Company** returned -7.36% last week, after announcing it will raise \$3 billion in common and preferred stock offerings. The stock took the bottom spot in the worst performing health care sector. Earnings announcements expected this week include **salesforce.com Inc.**, **Costco Wholesale Corp.**, **Dollar General Corp.**, **Autodesk Inc.**, **AutoZone Inc.**, **HP Inc.**, **Keylight Technologies Inc.**, **Ulta Beauty Inc.**, and many more.

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