US Economy and Credit Markets

Yields and Weekly Changes:

3 Mo. T-Bill:	0.089 (0.5 bps)	GNMA (30 Yr) 6% Coupon:	109-06/32 (3.25%)
6 Mo. T-Bill:	0.104 (1.5 bps)	Duration:	3.37 years
1 Yr. T-Bill:	0.124 (1.8 bps)	Bond Buyer 40 Yield:	3.49 (-4 bps)
2 Yr. T-Note:	0.129 (2.4 bps)	Crude Oil Futures:	41.22 (+0.95)
3 Yr. T-Note:	0.141 (2.7 bps)	Gold Spot:	2,035.55 (+59.69)
5 Yr. T-Note:	0.231 (2.7 bps)	Merrill Lynch High Yield Indices:	
10 Yr. T-Note:	0.564 (3.6 bps)	U.S. High Yield:	5.95 (-11 bps)
30 Yr. T-Bond:	1.234 (4.1 bps)	BB:	4.37 (-9 bps)
		B:	6.28 (-13 bps)

U.S. Treasury bond yields were higher across the yield curve last week with longer dated Treasury yields gaining more than shorter dated Treasury yields. The week started off with Treasury yields higher on Monday due to strong global manufacturing data. Manufacturing indexes in China, Europe, and the United States showed improvement versus last month. Treasury yields retreated Tuesday as investors turned pessimistic of Congress's progression on fiscal policy as aid for U.S. citizens runs out. Treasury yields climbed for the rest of the week as positive economic data spurred investor confidence in the U.S. economy. The ISM Non-Manufacturing index rose to 58.1 in July, well above the consensus expected 55.0, signaling an expansion in the U.S. services sector. The week ended with a stronger than expected July jobs report. July nonfarm payrolls rose by 1.763 million and unemployment dropped by nearly 1% to 10.2% in July. Major economic reports (related consensus forecasts, prior data) for the upcoming week include Tuesday July NFIB Small Business Optimism (100.4, 100.6), July PPI Final Demand MoM (0.3%, -0.2%), July PPI Final Demand YoY (-0.7%, -0.8%); Wednesday: August 7 MBA Mortgage Applications (n/a, -5.1%), July CPI MoM 0.3%, 0.6%), July CPI YoY (0.7%, 0.6%), July Monthly Budget Statement (n/a, -$864.1); Thursday: August 8 Initial Jobless Claims (1150k, 1186k), August 1 Continuing Claims (n/a, 16107k); Friday: July Retail Sales Advance MoM (1.8%, 7.5%), July Industrial Production MoM (3.0%, 7.2%), July Capacity Utilization (70.5%, 68.6%), August Preliminary University of Michigan Sentiment (71.7, 72.5).

US Equities

Weekly Index Performance:		Market Indicators:	
DJIA:	27,433.48 (3.88%)	Strong Sectors:	Industrials, Financials, Energy
S&P 500:	3,351.28 (2.49%)		
S&P Midcap:	1,938.53 (4.04%)	Weak Sectors:	Real Estate, Health Care, Utilities
S&P Smallcap:	911.67 (5.38%)		
NASDAQ Comp:	11,010.98 (2.51%)	NYSE Advance/Decline:	2,304 / 772
Russell 2000:	1,569.18 (6.03%)	NYSE New Highs/New Lows:	289 / 36
		AAII Bulls/Bears:	23.3% / 47.6%

Equities continued to move higher amid uncertainty around an extension of unemployment benefits and continued tensions with China. As of the close of markets on Friday, an agreement between the House Democrats and Senate Republicans on a new round of federal stimulus is still trillions apart. In the latest salvo against China, President Trump signed an executive order that imposed a 45-day deadline for TikTok to sell to an American company or cease operations in the U.S. In economic news, the U.S. added 1.8 million jobs in July versus expectations for 1.5 million, dropping the unemployment rate to 10.2%. This week in earnings lead to some large selloffs in technology darlings that beat earnings and provided strong guidance but could not satisfy lofty expectations. Shares of **Fastly Inc**., a player in edge computing, fell nearly 20% after revealing 12% of revenues are tied to TikTok and revenue expectations that were only slightly above expectations. Despite growing revenue by 68%, **Datadog, Inc.** fell sharply after reporting a deceleration in growth on softening public cloud spending. **Twilio, Inc**. pared its year-to-date gain to 148% after announcing an inline quarter with rising expectations. Industrial stocks were the top performers for the week as additional aid to the airlines is likely and the international travel ban was lifted. Although volatile, market leadership started to slightly shift towards small-caps, cyclicals and value names before the start of earnings season. Since July 9th, the Russell 2000 has returned 11.6% versus 6% for the S&P 500. For continued follow through, cyclicals will likely need continued improvement in economic activity and a rebound of fundamentals for many of the hardest hit areas of the market.