US Economy and Credit Markets

Yields and Weekly Changes:

3 Mo. T-Bill:	0.043 (-0.3 bps)	GNMA (30 Yr) 6% Coupon:	109-14 3/4/32 (3.46%)
6 Mo. T-Bill:	0.051 (-0.5 bps)	Duration:	4.02 years
1 Yr. T-Bill:	0.096 (0.8 bps)	Bond Buyer 40 Yield:	3.49 (unch.)
2 Yr. T-Note:	0.395 (7.7 bps)	Crude Oil Futures:	82.28 (2.93)
3 Yr. T-Note:	0.694 (11.4 bps)	Gold Spot:	1,767.62 (10.49)
5 Yr. T-Note:	1.126 (6.6 bps)	Merrill Lynch High Yield Indices:	
10 Yr. T-Note:	1.570 (-4.2 bps)	U.S. High Yield:	4.73 (-3 bps)
30 Yr. T-Bond:	2.041 (-12.3 bps)	BB:	3.74 (-3 bps)
		B:	5.22 (-5 bps)

Last week yields in the middle of the US Treasury Yield curve were up, the front end remained relatively unchanged and longer-dated yields fell. Wednesday of last week the Minutes of the Federal Open Market Committee meeting dated September 21-22 were released. The Fed indicated that tapering could begin as soon as mid-November and fully anticipates it will begin before 2022. Both the Consumer and Producer Price Index were released last week and while the CPI ran ahead of expectations by 0.1%, the PPI lagged expectations by 0.1%. Regardless, CPI advanced 5.4% from the year earlier and the PPI advanced 8.6% from the year earlier, running well ahead of any available Treasury yields. The bond market seems to be pricing in the current inflation levels as transitory even with the reported inflation levels remaining relatively high. In meeting notes, the Fed commented that it observed PCE prices well above their targeted 2% rate but that they continue to anticipate this to be transitory. They expect supply pressures to partially ease as supply chain issues resolve and import prices fall. High resource utilization rates in 2022 are also expected to assist in lowering pricing pressures and in total the Fed anticipates the PCE will fall below 2% in 2022 and “edge” higher to reach 2% in 2024. On Friday of last week retail sales were reported rising 0.7% in September led by general merchandise stores, gas stations and autos. Major economic reports (related consensus forecasts, prior data) for the upcoming week include Monday: September Industrial Production MoM (0.2%, 0.4%); Tuesday: September Housing Starts (1615k, unch.); Wednesday: October 15 MBA Mortgage Applications (n/a, 0.2%); Thursday: October 16 Initial Jobless Claims (303k, 293k), September Leading Index (0.4%, 0.9%) and September Existing Home Sales (6.05m, 5.88m); Friday: October preliminary Markit US Manufacturing PMI (60.5, 60.7).

US Equities

Weekly Index Performance:		Market Indicators:	
DJIA:	35,294.76 (1.58%)	Strong Sectors:	Materials, Cons. Discretionary, Real Estate
S&P 500:	4,471.37 (1.84%)		
S&P Midcap:	2,748.28 (2.18%)	Weak Sectors:	Cons. Staples, Health Care, Comm. Services
S&P Smallcap:	1,363.91 (0.41%)		
NASDAQ Comp:	14,897.34 (2.18%)	NYSE Advance/Decline:	2,395 / 1,082
Russell 2000:	2,265.65 (1.47%)	NYSE New Highs/New Lows:	345 / 134
		AAII Bulls/Bears:	37.9% / 31.8%

The S&P 500 Index returned 1.84% last week, the best week since mid-July and seventh best week for the year. Equities shook off negative supply chain headlines and rallied on the strength of corporate earnings. The U.S. supply chain has been under duress as a result of the COVID pandemic. Inventory has been drying up as U.S. ports are clogged and freight via airlines has been held down by tepid passenger growth. President Biden held a summit with many supply chain organizations in an effort to alleviate some gridlock before the holiday shopping season. Despite supply issues, equities rallied as earnings season kicked off with some strong announcements last week. The S&P 500 had 20 names release quarterly results. Some of the more notable announcements were from mega cap banks. **JPMorgan Chase & Co.** had a strong earnings announcement along with a revenue beat. With $3.7t in assets, JPMorgan credited their strong earnings to investment bank revenue, trading revenue along with better-than-expected credit losses for their financial success last quarter. **Bank of America Corp.** had a similar story announcing earnings and revenue ahead of street expectations fueled by higher trading revenue and lower loan losses. Strong bank earnings announcements further confirm that the U.S. economy is on solid footing despite some supply chain and employment headwinds. **UnitedHealth Group Inc.** announced record revenue and earnings for 3Q and as a result shares rallied 4.80% last week. UnitedHealth also raised their full year earnings outlook on the strength of their business which helped to boost **Cigna Corp.** 3.37% and **Anthem Inc.** 4.69% since UnitedHealth’s announcement. Looking ahead to next week, earnings season continues with 76 names in the S&P 500 expected to report quarterly results. Some notable names include: **Tesla Inc.**, **Netflix Inc.**, **Honeywell International Inc.**, **Union Pacific Corp.** and **American Express Co.**