US Economy and Credit Markets

Yields and Weekly Changes:

3 Mo. T-Bill:	3.698 (36.6 bps)	Bond Buyer 40 Yield:	4.94 (6 bps)
6 Mo. T-Bill:	4.283 (20.9 bps)	Crude Oil Futures:	85.61 (-7.03)
1 Yr. T-Bill:	4.459 (24.1 bps)	Gold Spot:	1,644.47 (-50.35)
2 Yr. T-Note:	4.496 (18.8 bps)	Merrill Lynch High Yield Indices:	
3 Yr. T-Note:	4.495 (15.2 bps)	US High Yield:	9.58 (27 bps)
5 Yr. T-Note:	4.268 (12.5 bps)	BB:	7.79 (24 bps)
10 Yr. T-Note:	4.018 (13.7 bps)	B:	9.94 (33 bps)
30 Yr. T-Bond:	3.992 (15.0 bps)		

U.S. Treasury bond yields rose across the yield curve last week, led by outsized gains on the shorter-dated end of the yield curve. Last week, the 2-year and 10-year Treasury yields hit their highest levels since August of 2007 and October of 2008, respectively, and remain inverted, which is a perceived recession indicator. The September CPI data came in hotter-than-expected last week, indicating inflation is still a problem. The September CPI rose 0.4%, well above the expected 0.2%, and is up 8.2% from a year ago. The September “core” CPI, which is ex-food and energy, rose 0.6%. The “core” CPI is up 6.6% year-over-year, the highest in four decades, suggesting inflation is stickier than expected. In reaction to the inflation data, shorter-dated rates in the U.S. are now pricing in back-to-back 75-basis point rate hikes at the upcoming Fed meetings, according to Bloomberg. The runway for a soft landing continues to narrow. Major economic reports (related consensus forecasts, prior data) for the upcoming week include Monday: October Empire Manufacturing (-4.0, -1.5); Tuesday: September Industrial Production MoM (0.1%, -0.2%), September Capacity Utilization (80.0%, 80.0%); Wednesday: October 14 MBA Mortgage Applications (N/A, -2.0%), September Building Permits (1530k, 1542k), September Housing Starts (1470k, 1575k); Thursday: October Philadelphia Fed Business Outlook (-5.0, -9.9), October 15 Initial Jobless Claims (235k, 228k), October 8 Continuing Claims (1384k, 1368k), September Existing Home Sales (4.69m, 4.80m), September Existing Home Sales MoM (-2.2%, -0.4%), September Leading Index (-0.3%, -0.3%).

US Equities

Weekly Index Performance:		Market Indicators:	
DJIA:	29,634.83 (1.17%)	Strong Sectors:	Consumer Staples, Health Care, Financials
S&P 500:	3,583.07 (-1.53%)		
S&P Midcap:	2,245.21 (-0.93%)	Weak Sectors:	Consumer Discretionary, Info Tech, Utilities
S&P Smallcap:	1,091.05 (-0.22%)		
NASDAQ Comp:	10,321.39 (-3.11%)	NYSE Advance/Decline:	1,184 / 2,282
Russell 2000:	1,682.40 (-1.15%)	NYSE New Highs/New Lows:	86 / 1,245
		AAII Bulls/Bears:	20.4% / 55.9%

The S&P 500 Index returned -1.53% last week, eliminating the previous week’s gain which was only the second positive week out of the last nine weeks of trading. The index has trended down in 2022 and marked a closing low last Wednesday of 3,577.03, a level not seen since late November 2020. The index is currently down 23.87% YTD. Inflation readings were at the forefront of investors’ concerns last week. Equities were relatively flat on Wednesday with a small decline of 33 bps as investors appeared to brush off the PPI numbers that came in higher than expected. Stocks opened lower on Thursday as the released CPI data brought the realization that the Federal Reserve would most likely continue with its current aggressive rate hiking stance to battle inflation. While the CPI numbers came in higher than expected and year-over-year core CPI hit a 40 year high of 6.6%, equities rallied back throughout the day posting a solid gain of 2.61%. Friday’s release of the University of Michigan’s Expected Change in Prices Index came in much higher than expected revealing that consumers expect prices to continue to increase over the next 12 months. This caused a reversal of the previous day’s momentum with the index declining 2.36% on the day. U.S. initial jobless claims were reported at 228K which were slightly higher than the consensus estimate of 225K and the previous week’s claims of 219K. Consumer staples was the best performing sector in the broader index followed by health care and financials, the only three sectors posting positive returns last week. Health care stock **Moderna Inc.** was the best performer in the S&P 500 Index followed by two other health care names **Amgen Inc.** and **Viatris Inc.** Earnings season is underway with large banking stocks **JPMorgan Chase & Company**, **Wells Fargo & Company**, **Morgan Stanley**, and **Citigroup Inc.** all reporting last Friday, delivering a mixed bag. JPMorgan Chase & Company beat third quarter earnings estimates. Banks have benefited from higher rates but have also begun moving more capital to their reserves with concerns of a possible economic decline. A decline in investment banking deal making has produced a headwind for the banks and caused **Morgan Stanley** to miss third quarter earnings estimates. Earnings announcements expected this week include **Tesla Inc.**, **Bank of America Corp**, **Danaher Corp**, **Union Pacific Corp**, **IBM**, **AT&T Inc.**, **Netflix Inc.**, among others.