US Economy and Credit Markets

Yields and Weekly Changes:

3 Mo. T-Bill:	0.292 (-2.8 bps)	Bond Buyer 40 Yield:	3.67 (-1 bps)
6 Mo. T-Bill:	0.682 (6.9 bps)	Crude Oil Futures:	91.59 (0.52)
1 Yr. T-Bill:	1.086 (12.9 bps)	Gold Spot:	1,889.34 (-9.09)
2 Yr. T-Note:	1.570 (10.4 bps)	Merrill Lynch High Yield Indices:	
3 Yr. T-Note:	1.761 (8.5 bps)	U.S. High Yield:	5.80 (-7 bps)
5 Yr. T-Note:	1.865 (4.5 bps)	BB:	4.84 (-7 bps)
10 Yr. T-Note:	1.962 (3.3 bps)	B:	6.13 (-8 bps)
30 Yr. T-Bond:	2.274 (3.4 bps)		

Treasury yields rose significantly among shorter maturity Treasurys and moderately among longer maturity Treasurys over the course of the week as Russian forces began an assault on Ukraine. Early in the week U.S. President Joe Biden announced sanctions on Russian banks and sovereign debt and the yield curve flattened to have the lowest 2-year to 10-year spread since April 2020. Early on Thursday, Russian President Vladimir Putin shrugged off these sanctions and ordered military operations, which began the conflict in Ukraine. President Biden responded with additional sanctions on Russia but stopped short of any restrictions on trade with Russia for oil or natural gas, which included allowing energy payments to Russia to continue. Yields dropped significantly early on Thursday but rebounded to end the day down only a few basis points among all maturity lengths. Fears of a significant economic impact subsided on Friday as Russia agreed to Ukraine's requests for talks, and investors turned their attention to Inflation and the Federal Reserve as the chance for a double rate hike increased slightly over the course of the week. Oil increased nearly $8 intraday on Thursday, before retreating and closing the day, and then the week only up slightly. Major economic reports (related consensus forecasts, prior data) for the upcoming week include: Monday: January Prelim. Wholesale Inventories MoM (1.2%, 2.2%), February MNI Chicago PMI (62.0, 65.2); Tuesday: February Final Markit US Manufacturing PMI (57.5, 57.5), February ISM Manufacturing (58.0, 57.6); Wednesday: February 25 MBA Mortgage Applications (n/a, -13.1%), February ADP Employment Change (350k, -301k); Thursday: February 26 Initial Jobless Claims (225k, 232k), January Factory Orders (0.5%, -0.4%); Friday: February Change in Nonfarm Payrolls (400k, 467k), February Unemployment Rate (3.9%, 4.0%).

US Equities

Weekly Index Performance:		Market Indicators:	
DJIA:	34,058.75 (-0.03%)	Strong Sectors:	Health Care, Real Estate Utilities
S&P 500:	4,384.65 (0.84%)		
S&P Midcap:	2,661.60 (1.14%)	Weak Sectors:	Financials, Cons. Staples Cons. Discretionary
S&P Smallcap:	1,310.76 (1.00%)		
NASDAQ Comp:	13,694.62 (1.10%)	NYSE Advance/Decline:	1,257/2,046
Russell 2000:	2,040.93 (1.59%)	NYSE New Highs/New Lows:	23/178
		AAII Bulls/Bears:	23.4%/53.7%

The S&P 500 Index ended the short week up modestly but not without sinking nearly 6% at one point before sharply returning to normal. Thursday was the most exciting day by far as markets digested the reality of the Russia-Ukraine conflict escalating to combat levels. The S&P 500 opened 2.5% below the previous night's close but came roaring back as the market priced in less interest rate tightening from the Fed and glimpses of hope that the two Eastern European countries would invite peace talks. President Biden, along with other Western leaders, announced sanctions against the banking industry in Russia which would intentionally cut Russian banks off from the global economy but left the energy sector relatively untouched. The market expects the Fed to become more dovish in response to the geopolitical uncertainty, the market implied probability of more than one rate hike at the March meeting has fallen from 60% to 25% over the past two weeks. The price of oil continued to climb and peaked above $100/barrel at one point on Thursday before retracing to nearly $92/barrel at the end of the week. Health Care and Real Estate were the top performing GICS sectors during the week while Consumer Discretionary lagged, mostly due to underperformance from **Tesla, Inc.** (TLSA, -8.1%). The top performing company in the S&P 500 was **Etsy Inc.** (ETSY, 17.6%) which reported strong fourth quarter results and reversed its trend of underperformance as it sold off with other stay-at-home stocks last week. The worst performing S&P 500 member was **EPAM Systems, Inc.** (EPAM, -13.7%) as the software company warned that due to its significant footprint in Eastern Europe it may see business disruptions soon. As 4Q21 earnings season draws to a close, 20 of the remaining 25 members of the S&P 500 that have not yet reported have releases scheduled in the next week including Broadcom Inc. (AVGO), Costco Wholesale Corp (COST), and salesforce.com Inc. (CRM).