## US Economy and Credit Markets

### Yields and Weekly Changes:

| | | | |
|---|---|---|---|
| 3 Mo. T-Bill: | 1.032 (2.3 bps) | Bond Buyer 40 Yield: | 4.25 (-34 bps) |
| 6 Mo. T-Bill: | 1.491 (2.8 bps) | Crude Oil Futures: | 115.07 (+1.84) |
| 1 Yr. T-Bill: | 1.959 (-6.8 bps) | Gold Spot: | 1,853.72 (+7.22) |
| 2 Yr. T-Note: | 2.476 (-10.5 bps) | Merrill Lynch High Yield Indices: | |
| 3 Yr. T-Note: | 2.634 (-9.4 bps) | U.S. High Yield: | 7.10 (-71 bps) |
| 5 Yr. T-Note: | 2.717 (-8.2 bps) | BB: | 5.66 (-65 bps) |
| 10 Yr. T-Note: | 2.738 (-4.3 bps) | B: | 7.59 (-74 bps) |
| 30 Yr. T-Bond: | 2.960 (-2.6 bps) | | |

Bond yields fell across most of the curve for the third straight week marking their lowest levels in over a month. Yields tumbled on Tuesday as investors renewed demand for safe-haven treasuries after negative earnings news created caution around advertising and consumer spending. New home sales also disappointed on Tuesday after reporting a 0.591 million annual rate, well below the consensus expected 0.749 million and marking a 27% drop from a year ago. The spike in the average mortgage rate to 5.24% paired with higher-priced homes and broad-based inflation has cut demand. The release of Fed minutes on Wednesday left yields little changed. Most US policymakers view half-point rate hikes as appropriate at the next two meetings but left the door open for a pause in early fall. Officials believe expedited tightening in the coming months would leave the Fed “well-positioned later this year to assess the effects of policy firming and the extent to which economic developments warranted policy adjustment.” Major economic reports (related consensus forecasts, prior data) for the upcoming week include Tuesday: May MNI Chicago PMI (55.1, 56.4), May Conference Board of Consumer Confidence (103.8, 107.3); Wednesday: May 27 MBA Mortgage Applications (n/a, -1.2%), May Final S&P Global US Manufacturing PMI (57.5, 57.5), May ISM Manufacturing (54.5, 55.4); Thursday: May 28 Initial Jobless Claims (210k, 210k), April Factory Orders (0.7%, 2.2%), April Final Durable Goods Orders (0.4%, 0.4%); Friday: May Change in Nonfarm Payrolls (325k, 428k), May Unemployment Rate (3.5%, 3.6%).

## US Equities

| Weekly Index Performance: | | Market Indicators: | |
|---|---|---|---|
| DJIA: | 33,212.96 (6.28%) | Strong Sectors: | Consumer Discretionary, Energy, Information Technology |
| S&P 500: | 4,158.24 (6.62%) | | |
| S&P Midcap: | 2,539.84 (6.53%) | Weak Sectors: | Health Care, Comm Services, Utilities |
| S&P Smallcap: | 1,248.94 (6.59%) | | |
| NASDAQ Comp: | 12,131.13 (6.85%) | NYSE Advance/Decline: | 3,137 / 443 |
| Russell 2000: | 1,887.90 (6.49%) | NYSE New Highs/New Lows: | 136 / 470 |
| | | AAII Bulls/Bears: | 19.8% / 53.5% |

After the longest series of weekly drops during the past decade, the S&P 500 rose over 6% last week and 9% from the low last Friday. The index posted its best weekly return since 2020. Almost all other assets rose along with stocks, with only the dollar and cryptocurrencies lagging during the week. Volatility has been rampant during the year as investors cling to every economic release hoping to balance the observed inflation and growth indicators with potential interest rate moves by the Fed. Last week, The Federal Reserve Bank of Atlanta President Raphael Bostic said policymakers could pause rate hikes in September if two half-point moves were made during the next two meetings. Chairman Jerome Powell added that the two moves in June and July could leave more room for rate increases if inflation data continues to show elevated levels. The Fed’s inflation target of 2% has been eclipsed by almost three times as of the last reading. In consumer news, companies are showing a bifurcated consumer with good news coming out of luxury retailers **Nordstrom** and **Williams-Sonoma Inc** last week**.** The prior week, big box stores **Target** and **Wal-Mart** showed a slowdown on the lower end of the consumer spectrum as inventory builds and rising costs ate into margins as pricing power moved in favor of the consumer. The rebound in consumer names last week led to the Consumer Discretionary sector being the best performer in the S&P 500, returning over 9%. Looking ahead to next week, the Memorial Day holiday on Monday will close equity markets. Data on factory orders, durable goods, and payroll numbers are all set to be released during the back half of the week.