US Economy and Credit Markets

Yields and Weekly Changes:

3 Mo. T-Bill:	1.302 (17.1 bps)	Bond Buyer 40 Yield:	4.39 (19 bps)
6 Mo. T-Bill:	1.919 (29.7 bps)	Crude Oil Futures:	120.67 (+1.80)
1 Yr. T-Bill:	2.449 (32.4 bps)	Gold Spot:	1,871.60 (+20.41)
2 Yr. T-Note:	3.063 (41.1 bps)	Merrill Lynch High Yield Indices:	
3 Yr. T-Note:	3.236 (38.8 bps)	U.S. High Yield:	7.86 (55 bps)
5 Yr. T-Note:	3.258 (32.5 bps)	BB:	6.42 (55 bps)
10 Yr. T-Note:	3.156 (22.2 bps)	B:	8.25 (53 bps)
30 Yr. T-Bond:	3.193 (10.7 bps)		

Treasury bond yields rose meteorically across the yield curve last week as the bond selloff deepened. Last week's rise in Treasury bond yields was highlighted by the two-year Treasury note hitting its highest level in nearly a decade and a half. Friday morning's May Consumer Price Index (CPI) print was the leading cause for the upward move in Treasury bond yields. The CPI increased 1.0% in May, 0.3% higher than expected, with energy prices up 3.9% and food up 1.2%. While real wages (ex-inflation) were down 0.6% last month. According to Bloomberg, in response to the higher-than-expected May CPI data, the front-end of the yield curve repriced to a 50% chance of the Federal Reserve increasing the policy rate by 75 basis points as early as the July Federal Reserve policy meeting. Barclays revised their forecast and now call the Federal Reserve increasing the policy rate by 75 basis points in the June policy meeting. With CPI up 8.6% versus last year, it is becoming increasingly apparent that inflation is not transitory. Major economic reports (related consensus forecasts, prior data) for the upcoming week include Tuesday: May PPI Final Demand MoM (0.8%, 0.5%), May Final PPI Ex Food and Energy MoM (0.6%, 0.4%), May PPI Final Demand YoY (10.8%, 11.0%), May Final PPI Ex Food and Energy YoY (8.6%, 8.8%); Wednesday: June 10 MBA Mortgage Applications (n/a, -6.5%), June Empire Manufacturing (4.5%, -11.6%), May Retail Sales Advance MoM (0.2%, 0.9%), June 15 FOMC Rate Decision (Upper Bound) (1.50%, 1.00%); Thursday: May Building Permits (1789k, 1823k), May Housing Starts (1709k, 1724k), June 11 Initial Jobless Claims (215k, 229k), June 4 Continuing Claims (1300k, 1306k); Friday: May Industrial Production MoM (0.4%, 1.1%), May Capacity Utilization (79.2%, 79.0%), May Leading Index (-0.4%, -0.3%).

US Equities

Weekly Index Performance:		Market Indicators:	
DJIA:	31,392.79 (-4.56%)	Strong Sectors:	Energy, Cons. Staples
S&P 500:	3,900.86 (-5.04%)		Health Care
S&P Midcap:	2,403.07 (-4.64%)	Weak Sectors:	Real Estate, Info Tech
S&P Smallcap:	1,189.63 (-4.31%)		Financials
NASDAQ Comp:	11,340.02 (-5.59%)	NYSE Advance/Decline:	908/2,351
Russell 2000:	1,800.28 (-4.37%)	NYSE New Highs/New Lows:	50/25
		AAII Bulls/Bears:	21%/46.9%

The S&P 500 Index declined another 5% last week to mark the ninth week in the last ten to see a decline. The market barometer has drawn down over 18% from all-time highs, within striking distance of the 20% drawdown mark that indicates a bear market. Equities sold off near the end of Thursday and throughout Friday as the May CPI number surprised to the upside. The 8.6% reading was a new high for this cycle and showed that inflation did not peak in March. Although prices continue to rise above-trend, the labor market remains strong as nonfarm payrolls in May of 390,000 beat the estimate of 318,000 and reaffirm a strong backdrop for the Fed to raise rates against. Gasoline made up a large part of the month to month rise in prices as the national average price of gasoline rose above $5/gallon this week and oil eclipsed $120/barrel for the first time since the initial spike in March when Russia invaded Ukraine. Energy stocks performed the best during the week although all eleven GICS sectors finished the week down, led by Financials and Information Technology. Solar stocks reacted positively to news on Monday that President Biden will waive tariffs on solar panels from Southeast Asia for another two years as he seeks to implement his clean energy plan. Solar stocks had previously been weighed down by the overhanging grey cloud of a federal probe into whether Chinese companies were sidestepping tariffs by exporting to the US through Southeast Asian intermediaries. Cruise line stocks could find no respite from the newly announced CDC guidelines that no longer require a negative test before re-entering the US as Royal Caribbean Cruises (**RCL**, -18.8%), Carnival Corp (**CCL**, -18.2%), and Norwegian Cruise Line Holdings (**NCLH**, -15.8%) were the worst performers in the S&P 500 index during the week. The best performing stocks in the S&P 500 during the week were the JM Smucker Co. (**SJM**, +4.6%) and Valero Energy Corp (**VLO**, +3.8%). The upcoming week holds another Fed meeting on Wednesday where investors are pricing in at least a 50bps rate hike with a 27% chance of a 75bps hike.