US Economy and Credit Markets

Yields and Weekly Changes:

3 Mo. T-Bill:	4.628 (5.5 bps)	Bond Buyer 40 Yield:	4.29 (-5 bps)
6 Mo. T-Bill:	4.810 (3.8 bps)	Crude Oil Futures:	81.31 (1.45)
1 Yr. T-Bill:	4.648 (-1.3 bps)	Gold Spot:	1,926.08 (5.85)
2 Yr. T-Note:	4.170 (-6.2 bps)	Merrill Lynch High Yield Indices:	
3 Yr. T-Note:	3.827 (-7.3 bps)	U.S. High Yield:	8.25 (7 bps)
5 Yr. T-Note:	3.561 (-4.9 bps)	BB:	6.68 (6 bps)
10 Yr. T-Note:	3.479 (-2.5 bps)	B:	8.50 (11 bps)
30 Yr. T-Bond:	3.655 (4.4 bps)		

Yields further inverted last week, as measured by the 3 Mo. - 10 Yr., which is natural as economic data deteriorates. The curve is intensely watched by the market for its history of anticipating economic contractions. Also weighing on the market is the upcoming spectacle surrounding the debt ceiling. Tangibly, however, there was much economic data last week and Wednesday's releases included the Producer Price Index falling 0.5% on the back of falling energy and food prices. Just don't look at egg prices! Retail sales fell for December and declining Industrial Production was registered. Two housing reports were released last week and both showed declines. Friday revealed December's Existing Home Sales fell 1.5% in December marking an eleventh consecutive month of declines primarily because of declining affordability from higher mortgage rates. Housing starts fell in December for a fourth consecutive month all due to declining multi-unit starts. There was a glimmer of hope in the housing start data as homebuilder sentiment, as measured by the NAHB Housing Index, rose to 35 in January from 31 in December. This is the first increase in thirteen months and ends the longest streak of declines since records began in 1985. It is worth noting, though, that readings below 50 signal a builder view of conditions as poor versus good. Major economic reports (related consensus forecasts, prior data) for the upcoming week include Monday: December Leading Index (-0.7%, -1.0%) Tuesday: January Preliminary S&P Global US Manufacturing PMI (46.5, 46.2); Wednesday: January 20 MBA Mortgage Applications (N/A, 27.9%); Thursday: January 21 Initial Jobless Claims (205k, 190k), December New Home Sales (612k, 640k) and December Preliminary Durable Goods Orders (2.5%, -2.1%); Friday: December Personal Income (0.2%, 0.4%), December Personal Spending (-0.1%, 0.1%) and January Final University of Michigan Sentiment (64.6, unch.).

US Equities

Weekly Index Performance:		Market Indicators:	
DJIA:	33,375.49 (-2.66%)	Strong Sectors:	Communication Services, Energy, Information Tech
S&P 500:	3,972.61 (-0.65%)		
S&P Midcap:	2,558.46 (-0.86%)	Weak Sectors:	Industrials, Utilities, Consumer Staples
S&P Smallcap:	1,223.39 (-1.24%)		
NASDAQ Comp:	11,140.43 (0.55%)	NYSE Advance/Decline:	1,811 / 1,478
Russell 2000:	1,867.34 (-1.04%)	NYSE New Highs/New Lows:	228 / 28
		AAII Bulls/Bears:	31.0% / 33.1%

Technology and Communication Services companies lifted stocks to close out the week as the tech-heavy NASDAQ 100 Index rose almost 3% on Friday and 0.7% for the week. The S&P 500 and Dow Jones Industrial Average were both lower for the week but gained on Friday on the strength of the Energy and Tech sectors. Earnings season has just begun and leading the way on Friday was oilfield servicer **Schlumberger** with its quarterly print coming in above analyst expectations. The company reported a seven-year high in international revenue which could provide a boost for comparable Energy companies. Next week, 89 S&P 500 components are set to release quarterly results. **Alphabet Inc**, the parent company of Google, traded higher by almost 7% on Friday after news of job cuts to control costs stemming from leveling off of demand from advertisers and cloud services. Labor reduction is a trend in the technology sector after **Meta,** the parent company of Facebook, and **Microsoft** have also announced layoffs bringing the total tech cutback to over 200,000 jobs. More news coming from various Fed officials points to slower hikes as inflation could cool faster than expected. Patrick Harker, the President of the Philadelphia Federal Reserve, said he expects the central bank to "raise rates a few more times this year" and "hikes of 25 basis points will be appropriate going forward". Looking ahead to next week, data on home sales, consumer sentiment, and jobs are all set for release along with more corporate earnings reports.

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