US Economy and Credit Markets

Yields and Weekly Changes:

3 Mo. T-Bill:	4.336 (-53.4 bps)	Bond Buyer 40 Yield:	4.46 (-13 bps)
6 Mo. T-Bill:	4.602 (-44.4 bps)	Crude Oil Futures:	66.74 (-9.94)
1 Yr. T-Bill:	4.134 (-67.7 bps)	Gold Spot:	1,989.25 (120.99)
2 Yr. T-Note:	3.837 (-74.9 bps)	Merrill Lynch High Yield Indices:	
3 Yr. T-Note:	3.713 (-60.3 bps)	US High Yield:	9.01 (12 bps)
5 Yr. T-Note:	3.500 (-36.6 bps)	BB:	7.44 (1 bps)
10 Yr. T-Note:	3.429 (-27.0 bps)	B:	9.24 (18 bps)
30 Yr. T-Bond:	3.620 (-8.7 bps)		

Treasury yields tumbled significantly over the course of the week as the collapse of multiple banks and the fear of additional bank failures took their toll on the markets. By the opening of trading on Monday, Silicon Valley Bank and Signature Bank had both collapsed, leading investors to believe that the Federal Reserve Bank may pause interest rate hikes at the upcoming March 22nd meeting or, at the very least, drastically reduce interest rate expectations for the year. At the end of the previous week, the market implied Fed Funds Rate for the July 26th meeting was 5.27%. By the end of Monday that implied rate dropped to 4.11%. On Tuesday, the February Consumer Price Index showed that inflation remained elevated at an annual rate of 6.0%, but this was in line with expectations and a drop from 6.4% the previous month. This caused Treasury yields to rebound significantly but remained much lower than the prior Friday's close. Treasury yields then dropped significantly again on Wednesday as investors became concerned that Credit Suisse would become the next financial institution to collapse. Yields rebounded again on Thursday after Credit Suisse received stabilizing funds from Swiss regulators and a rescue package for First Republic Bank in the U.S. was secured. The European Central Bank also went ahead with a 50-basis-point rate hike on Thursday. Ultimately, Treasury yields finished the week down significantly again on Friday and the market implied Fed Funds Rate after the July 26th meeting finished the week at 4.20%. Gold finished the week up 6% while fears of a recession weighed on demand for oil as it finished down 13%. Major economic reports (related consensus forecasts, prior data) for the upcoming week include Tuesday: February Existing Home Sales (4.20m, 4.00m); Wednesday: March 17 MBA Mortgage Applications (n/a, 6.5%), March 22 FOMC Rate Decision (Upper Bound) (5.00%, 4.75%); Thursday: March 18 Initial Jobless Claims (199k, 192k), February New Home Sales (650k, 670k); Friday: February Prelim. Durable Goods Orders (1.5%, -4.5%), March Prelim. S&P Global US Manufacturing PMI (47.3, 47.3).

US Equities

Weekly Index Performance:		Market Indicators:	
DJIA:	31,861.98 (-0.11%)	Strong Sectors:	Comm. Services, Utilities, Info. Tech.
S&P 500:	3,916.64 (1.47%)		
S&P Midcap:	2,374.47 (-3.11%)	Weak Sectors:	Materials, Financials, Energy
S&P Smallcap:	1,133.88 (-3.21%)		
NASDAQ Comp:	11,630.51 (4.44%)	NYSE Advance/Decline:	943 / 2,273
Russell 2000:	1,725.89 (-2.58%)	NYSE New Highs/New Lows:	62 / 534
		AAII Bulls/Bears:	19.2% / 48.4%

Equity markets returned 1.47% last week while the S&P 500 volatility index peaked over 26 for the first time since last October. Equity investors were panicked after last weekend as **Silicon Valley Bank** and **Signature Bank** were put into receivership by the FDIC. Investors worried that accumulated losses in the held-to-maturity (HTM) book of assets might have to be realized which could impair these banks equity position. Other banks were also in distress last week. San Francisco based bank **First Republic Bank** plummeted after accumulated losses in their HTM investments threatened to wipe out their equity. On Friday, a capital rescue package from other mega-cap banks to the tune of $30b was not enough to quell investors fears and the name continued to fall through Friday to return -71.8% last week. The banking issues seemed to spread internationally as the Stoxx 600 Bank index returned -11.5% last week. **Credit Suisse** shares returned -24.4% after worries mounted on their possible insolvency. On Thursday night Credit Suisse was able to borrow $54b from the Swiss central bank to calm investor and depositor fears of a collapse. Despite all the global banking issues, energy was the worst performing sector last week. Oil prices fell from $76.68 to $66.27 to close last week. News of bank failures gripped energy investors as recession fears mounted, as well as continued IEA reports that Russian oil supply seems to be a supply overhang for the commodity. Looking ahead to next week, markets will be focused on how solvent the global banking systems are. As always, we remain focused on long-term investing. During times of market stress is where dislocations in market valuations can present buying opportunities, we remain constructive on equities in the long run focusing on quality companies at compelling valuations.