US Economy and Credit Markets

Yields and Weekly Changes:

3 Mo. T-Bill:	5.351 (12.2 bps)	Bond Buyer 40 Yield:	4.48 (-14 bps)
6 Mo. T-Bill:	5.441 (7.1 bps)	Crude Oil Futures:	71.74 (-0.93)
1 Yr. T-Bill:	5.225 (0.2 bps)	Gold Spot:	1,947.97 (1.51)
2 Yr. T-Note:	4.497 (-6.5 bps)	Merrill Lynch High Yield Indices:	
3 Yr. T-Note:	4.140 (-9.8 bps)	U.S. High Yield:	8.68 (-23 bps)
5 Yr. T-Note:	3.844 (-8.3 bps)	BB:	7.07 (-22 bps)
10 Yr. T-Note:	3.691 (-10.8 bps)	B:	8.94 (-25 bps)
30 Yr. T-Bond:	3.888 (-7.3 bps)		

U.S. Treasury yields saw significant, differentiated, moves on account of debt ceiling negotiations. The very front end of the yield curve was hugely elevated on risks of continued impasse on raising the limit. The intraweek resolution to pass legislation raising the ceiling resulted in a very precipitous decline to 1 month Treasury Yields and increase in 2-month to 1-year yields, and a decline in yields 2-years and out. However, Friday's move was higher across the entire curve as the market anticipates a large issuance of notes as the Treasury refills its General Account. The Treasury's cash balance fell to a low of $22.9 billion, as of last Thursday, which was a level last seen in October of 2015. Remarkably the Treasury's cash pile was nearly a trillion dollars USD following last year's April spring tax receipts but has steadily declined since. Last Thursday's ISM Manufacturing Index data showed a decline in May which was the seventh consecutive month of declines. This in addition to continued China weakness weighed on markets. Friday, though, registered a huge beat on nonfarm payrolls as they were seen increasing 339k in May, versus consensus expectations for a 195k increase. Even more favorable was an upward revision to prior month estimates. Despite the positive headlines, it was curious that unemployment actually ticked up for the period and the dissonance in data mutes enthusiasm and adds further uncertainty into how economic conditions continue to evolve in the middle of one of the most aggressive Federal Reserve interest rate hiking campaign in history. Major economic reports (related consensus forecasts, prior data) for the upcoming week include Monday: April Factory Orders (0.8%, 0.9%), April final Durable Goods Orders (1.1%, unch.); Wednesday: June 2 MBA Mortgage Applications (n/a, -3.7%), April Trade Balance (-$75.4B, -$64.2B); Thursday: June 3 Initial Jobless Claims (238k, 232k).

US Equities

Weekly Index Performance:		Market Indicators:	
The Dow®	33,762.76 (2.17%)	Strong Sectors:	Consumer Discretionary, Real Estate, Materials
S&P 500®	4,282.37 (1.88%)		
S&P MidCap 400®	2,505.55 (2.62%)	Weak Sectors:	Consumer Staples, Utilities, Communication Services
S&P SmallCap 600®	1,181.71 (3.11%)		
Nasdaq Composite®	13,240.77 (2.07%)	NYSE Advance/Decline:	2,536 / 592
Russell 2000®	1,830.91 (3.31%)	NYSE New Highs/New Lows:	138 / 181
		AAII Bulls/Bears:	29.1% / 36.8%

Last week, stocks traded higher by almost 2% as measured by the S&P 500. Since coming off the lows of last October, the index has gained almost 20%. The holiday-shortened week once again saw mega-cap Technology companies lead the broad market higher. **Tesla Inc** returned over 10% last week after announcing a charging station partnership with **Ford** as well as a positive outlook in China following CEO Elon Musk's meetings with Chinese business and political leaders. Friday's jobs report showed a pickup in hiring and signaled that the market priced-in rate hike could be delayed past the next Fed meeting. On Friday, former Treasury Secretary Lawrence Summers commented on the dual mandate of the Fed by saying, "We are again in a situation where the risks of overheating th e economy are the primary risks that the Fed needs to be mindful of." President Joe Biden has until June 5th to sign a last-minute deal to raise the debt limit and avert a US default. The heated battle has divided Congress as the outcome will be used to sh ape the nearing election cycle. The ongoing battle is seen by Democrats as an opportunity to look for ways to remove the debt limit and end the seasonal fiscal debate. Officials at the Treasury are in favor of the limit because it offers a clearer picture of Congress-authorized spending. Eliminating the debt limit could cause investors to demand higher interest rates on US debt if the repayment is disputed in the courts. Looking ahead to next week, economic releases on factory orders, durable goods, and employment are all slated throughout the week.