US Economy and Credit Markets

Yields and Weekly Changes:

3 Mo. T-Bill:	5.453 (1.0 bps)	Bond Buyer 40 Yield:	4.73 (2 bps)
6 Mo. T-Bill:	5.504 (-1.9 bps)	Crude Oil Futures:	90.77 (3.26)
1 Yr. T-Bill:	5.418 (2.6 bps)	Gold Spot:	1,923.91 (4.83)
2 Yr. T-Note:	5.033 (4.2 bps)	Merrill Lynch High Yield Indices:	
3 Yr. T-Note:	4.721 (2.4 bps)	US High Yield:	8.63 (-4 bps)
5 Yr. T-Note:	4.463 (6.0 bps)	BB:	7.35 (1 bp)
10 Yr. T-Note:	4.332 (6.8 bps)	B:	8.76 (-6 bps)
30 Yr. T-Bond:	4.417 (8.0 bps)		

The inverted yield curve, which has been inverted since last October, became the longest inversion since the 1960s last week. An inverted yield curve is typically seen as a recession indicator, so the length of the current inversion, in part, highlights the economy's resilience during the Fed's current tightening cycle. The European Central Bank raised interest rates last week and was noncommittal about reaching a peak, prioritizing price stability over economic growth. ECB President Christine Lagarde said a future cut "was not even a word that we have pronounced." The Consumer Price Index increased 3.7% in August versus a year ago, driven by a surge in energy prices, which was higher than expected and a second consecutive increase from June's 3% pace. "Core" inflation, excluding food and energy, was 4.3%, continuing a steady decline but still well above the Fed's 2% target. The inflation data suggests that the Fed will not pivot from its tight monetary policy anytime soon. According to the University of Michigan Consumer Sentiment Index, inflation expectations over the next year eased to 3.1%. Consumer sentiment overall missed expectations due partly to higher food and gas prices. The Fed meets this week and is expected to hold rates steady despite the price pressures shown last week. Major economic reports (related consensus forecasts, prior data) for the upcoming week include Tuesday: August Housing Starts (1,439k, 1,452k); Wednesday: September FOMC Rate Decision - Upper Bound (5.50%, 5.50%), September 15 MBA Mortgage Applications (N/A, -0.8%); Thursday: September 16 Initial Jobless Claims (225k, 220k), August Existing Home Sales (4.10m, 4.07m), August Leading Index (-0.6%, -0.4%); Friday: September Preliminary S&P Global US Manufacturing PMI (48.3, 47.9).

US Equities

Weekly Index Performance:		Market Indicators:	
DJIA:	34,618.24 (0.14%)	Strong Sectors:	Utilities, Cons. Discretionary, Financials
S&P 500:	4,450.32 (-0.12%)		
S&P Midcap:	2,567.33 (-0.21%)	Weak Sectors:	Materials, Industrials, Info. Tech.
S&P Smallcap:	1,186.40 (0.13%)		
NASDAQ Comp:	13,708.33 (-0.37%)	NYSE Advance/Decline:	1,569 / 1,467
Russell 2000:	1,847.03 (-0.20%)	NYSE New Highs/New Lows:	157 / 201
		AAII Bulls/Bears:	34.4% / 29.2%

The S&P 500 was approximately flat last week as equities see-sawed on inflation data and global economic results. Investor sentiment began the week bullish after Treasury Secretary Janet Yellen said she was increasingly confident the US will continue to curtail inflation without major damage to the job market. Bulls were on parade as the Chinese Government made additional monetary moves to stimulate their economy. China's economic stimulus programs have become more frequent as the world's second largest economy struggles to stabilize after their COVID reopening to start 2023. Mid-week, US CPI data was released with mixed results. Shelter prices have started to stabilize and year over year shelter inflation is expected to start falling, while rising energy costs appear to be a headwind for the end goal of quelling inflation below 2%. The ECB then made an additional rate hike bringing its reference rate to 4.5%, the hike was justified with additional inflation pressures. To close the week consumer sentiment and expectations climbed but so did consumers inflation expectations. **Tesla Inc.** rallied 10.4% last week as Morgan Stanly upgraded the name last weekend on their AI prospects. Tesla continued to rally all week on news that a possible UAW strike might adversely impact competitors. **Netflix Inc.** returned -10.4% last week after management revealed that their password crack downs had been a 'little bit of a drag' on average rate per user and it is not easy creating an ad business from scratch. **Oracle Corp.** fell 13.5% on Tuesday, the largest single day drop since 2002, after releasing quarterly results showing softer growth in their cloud business. Looking ahead to next week, the main news is expected Wednesday from the Federal Reserve as they are expected to hold interest rates flat but likely have new language for the potential future path of rate expectations.