US Economy and Credit Markets

Yields and Weekly Changes:

3 Mo. T-Bill:	5.369 (-0.6 bps)	Bond Buyer 40 Yield:	4.38 (-37 bps)
6 Mo. T-Bill:	5.326 (6.3 bps)	Crude Oil Futures:	79.19 (2.35)
1 Yr. T-Bill:	4.951 (9.1 bps)	Gold Spot:	2,013.59 (-10.67)
2 Yr. T-Note:	4.642 (16.2 bps)	Merrill Lynch High Yield Indices:	
3 Yr. T-Note:	4.415 (14.7 bps)	US High Yield:	8.04 (11 bps)
5 Yr. T-Note:	4.274 (13.7 bps)	BB:	6.68 (12 bps)
10 Yr. T-Note:	4.279 (10.4 bps)	B:	8.10 (11 bps)
30 Yr. T-Bond:	4.436 (6.3 bps)		

Treasury yields rose last week following higher-than-expected inflation data. The core Consumer Price Index, which excludes food and energy costs, increased 0.4% in January from the prior month, which was the highest reading since May. The overall CPI increased 3.1% from last year. Producer prices also increased more than expected in January. The core Producer Price Index increased 0.5% from the prior month and 2% from last year. The monthly increase was the highest since July and was driven by rising service costs. Following the reports, the market dialed back its expected rate cuts this year. This year, the market has already reduced its expectations from as many as six cuts to three or four, bringing expectations closer to the Fed's outlook. Retail sales fell well below expectations in January, suggesting lower savings and higher borrowing costs may be taking their toll on the consumer. However, the University of Michigan's Sentiment Index released last week showed consumer sentiment improved again in February following significant improvements in the prior two months. Consumers cited continued confidence in improving inflation and the strong labor market. Like retail sales, January housing starts also missed expectations, with multifamily home construction leading the decline, as higher mortgage rates weigh on the housing market. Major economic reports (related consensus forecasts, prior data) for the upcoming week include Tuesday: January Leading Index (-0.3%, -0.1%); Wednesday: February 16 MBA Mortgage Applications (N/A, -2.3%); Thursday: February 17 Initial Jobless Claims (218k, 212k), February Preliminary S&P Global US Manufacturing PMI (50.1, 50.7), January Existing Homes (3.96m, 3.78m).

US Equities

Weekly Index Performance:		Market Indicators:	
The Dow®	38,627.99 (0.02%)	Strong Sectors:	Energy, Materials
S&P 500®	5,005.57 (-0.35%)		Utilities
S&P Midcap 400®	2,828.30 (0.74%)	Weak Sectors:	Cons. Discretionary, Comm. Services
S&P Smallcap 600®	1,304.98 (1.34%)		Info Tech
NASDAQ Composite®	15,775.65 (-1.31%)	NYSE Advance/Decline:	1,629 / 1,287
Russell 2000®	2,032.74 (1.17%)	NYSE New Highs/New Lows:	458 / 81
		AAII Bulls/Bears:	42.2% / 26.8%

The S&P 500 ended last week down 35 bps after a volatile trading week. Much of the volatility was attributed to mixed economic data through the week leading bond traders to recalibrate expectations regarding interest rate cuts this year. CPI data last Tuesday marked the beginning of traders' worries as the print came in high across the board, Wednesday provided some relief as softer than expected retail sales drove equities higher. Unfortunately, the recovery was short lived as Friday's PPI numbers also came in hot. Ultimately last week was a reminder that getting inflation down to the Fed's 2% target may be tougher than initially expected, it also reinforced the sentiment that the last mile may be the hardest part. While economic data ruled the headlines last week there was still plenty of company specific news driving large price swings. The best performer in the S&P 500 was **Diamondback Energy** which finished the week up 18.24% after the firm announced plans to merge with privately held **Endeavor Energy Resources** creating an oil-and-gas giant. The combined firm would hold one of the largest positions in the Permian Basin, the largest oil-producing basin in the United States. **Uber Technologies** was also among the top performer last week, the firm returned 10.58% after holding its Investor Update. The firm gained on strong outlook from management as well as the news that the company's board had authorized its first ever share repurchase program, the authorization allows **Uber** to purchase up to $7 billion in stock. While **Uber** was a top performer in the S&P 500 it was not the top performing rideshare company, its competitor **Lyft** ended the week up 37.45% following a bumpy earnings release. **Lyft's** press release last Tuesday contained a typo that 2024 EBITDA margins would expand 500 bps sending its stock price surging 60% in after-market trading. About 30 minutes later during the company's earnings call, **Lyft's** CFO clarified margins would expand only 50 bps leading to the stock giving back some gains. While the mistake reflected poorly on **Lyft's** management team it also exposed the dangers of investor's reliance on automated trading. Upcoming this week investors have plenty of news to look forward to. Wednesday afternoon FOMC Meeting Minutes will be released offering further insights into the Fed's outlook on inflation. Additionally, 50 names in the S&P 500 are expected to release earnings. Among the 50 names is **NVIDIA**, the last of the Magnificent Seven to release earnings, as well as **Home Depot**, **Etsy**, and **Keurig Dr. Pepper**.