US Economy and Credit Markets

Yields and Weekly Changes:

3 Mo. T-Bill:	3.942 (-0.9 bps)	Bond Buyer 40 Yield:	4.62 (-2 bps)
6 Mo. T-Bill:	3.813 (-0.8 bps)	Crude Oil Futures:	58.90 (-1.98)
1 Yr. T-Bill:	3.584 (-5.0 bps)	Gold Spot:	4,017.79 (131.25)
2 Yr. T-Note:	3.502 (-7.4 bps)	Merrill Lynch High Yield Indices:	
3 Yr. T-Note:	3.511 (-8.1 bps)	US High Yield:	7.26 (24 bps)
5 Yr. T-Note:	3.625 (-9.0 bps)	BB:	6.14 (20 bps)
10 Yr. T-Note:	4.032 (-8.7 bps)	B:	7.45 (26 bps)
30 Yr. T-Bond:	4.619 (-9.2 bps)		

Treasury yields were down across the board for the second consecutive week after President Donald Trump threatened to retaliate in response to China's latest restrictions on exports of rare earth minerals. In a post on Truth Social on Friday, President Trump threatened "a massive increase in tariffs on Chinese products" and that "there are many other countermeasures that are, likewise, under serious consideration". The threats caused a selloff in stocks, oil and cryptocurrencies while traders piled into safe haven assets and pushed treasury yields to their lowest levels since mid-September. Friday's University of Michigan Consumer Sentiment Index release also drove yields lower as the index fell from 55.1 in September's final report to 55.0 for October's preliminary report. The index sunk to its lowest level since May, as a stalling job market and persistent inflation are weighing on consumers. Earlier in the week, MBA mortgage applications fell -4.7% after plummeting -12.7% in the prior week. This marks the largest two week decline since April as the recent uptick in mortgage rates continues to deter prospective buyers. Major economic reports (related consensus forecasts, prior data) for the upcoming week include Wednesday: October 10 MBA Mortgage Applications (n/a, -4.7%), October Empire Manufacturing (-1.7, -8.7); Thursday: September Retail Sales Advance MoM (0.4%, 0.6%), September PPI Final Demand MoM (0.3%, -0.1%), October 11 Initial Jobless Claims (230k, n/a); Friday: September Housing Starts (1320k, 1307k).

US Equities

Weekly Index Performance:		Market Indicators:	
DJIA:	45,479.60 (-2.70%)	Strong Sectors:	Utilities, Cons. Staples Health Care
S&P 500:	6,552.51 (-2.41%)		
S&P Midcap:	3,161.88 (-3.85%)	Weak Sectors:	Real Estate, Cons. Discretionary, Energy
S&P Smallcap:	1,392.72 (-4.92%)		
NASDAQ Comp:	22,204.43 (-2.53%)	NYSE Advance/Decline:	548 / 2,865
Russell 2000:	2,394.60 (-3.28%)	NYSE New Highs/New Lows:	313 / 149
		AAII Bulls/Bears:	45.9% / 35.6%

Equity markets pulled back last week amid renewed trade tensions after President Trump threatened new tariffs on Chinese goods and canceled a summit with President Xi, which in turn sent rare earth metal stocks like **MP Materials Corp.**, **USA Rare Earth Inc.**, **Critical Medical Corp.**, and **American Rare Earths LTD** surging as the U.S. government signaled efforts to reduce China's supply chain leverage. This volatility pushed the VIX (S&P 500 volatility index) above 20 for the first time since early August, compounding market unease already present due to the ongoing U.S. Federal Government shutdown, which saw layoffs announced by OMB head Russell Vought to conserve funds. Despite the broader market weakness, AI-related stocks outperformed, with **Advanced Micro Devices** soaring over 30% after securing a deal to supply chips to **OpenAI** for AI inference, and **Dell Technologies Inc.** rising nearly 7% on updated guidance reflecting continued strong server demand fueled by AI spending. Elsewhere, **Tesla Inc.** shares fell 3.8% after the company slashed Model 3 and Model Y prices following the expiration of federal tax credits, while **Fifth Third Bancorp** stock dropped 6.6% after agreeing to acquire **Comerica Inc.** in an all-stock deal valued at approximately $11 billion. **Oracle Corp.** shares also declined on reports of meager 15% margins in its AI cloud business, and the market absorbed the news of auto parts supplier **First Brands Group** filing for the largest bankruptcy since 2023, with **Jefferies Financial Group Inc.** announcing a $715 million exposure within one of its credit funds. Looking ahead, tariff developments and any news regarding a budget resolution are expected to dominate market headlines.