US Economy and Credit Markets

Yields and Weekly Changes:

3 Mo. T-Bill:	3.876 (3.1 bps)	Bond Buyer 40 Yield:	4.53 (-1 bps)
6 Mo. T-Bill:	3.816 (3.9 bps)	Crude Oil Futures:	60.09 (0.34)
1 Yr. T-Bill:	3.689 (7.0 bps)	Gold Spot:	4,084.06 (82.80)
2 Yr. T-Note:	3.606 (4.4 bps)	Merrill Lynch High Yield Indices:	
3 Yr. T-Note:	3.611 (4.1 bps)	U.S. High Yield:	7.27 (-2 bps)
5 Yr. T-Note:	3.731 (4.7 bps)	BB:	6.04 (-4 bps)
10 Yr. T-Note:	4.148 (5.2 bps)	B:	7.54 (unch.)
30 Yr. T-Bond:	4.748 (4.9 bps)		

Treasury yields rose slightly-to-moderately over the course of the week on the end of the government shutdown and speculation that the Federal Reserve Bank would not cut interest rates as aggressively as previously expected. The market began the week with an optimistic outlook as reports surfaced of a deal between the parties to fund and reopen the government, ending weeks of uncertainty as to how the shutdown would impact the economy. The legislation was officially passed and signed on Wednesday, opening the government, as traders will now look to a backlog of economic reports, that were previously on hold, to shed light on the upcoming rate decision for the Fed. However, that optimism turned to pessimism on Thursday on more hawkish comments from Fed officials. Two separate Fed Presidents said that the bank should “move cautiously on rates” and be “somewhat restrictive” while another is undecided on the December cut after being against a cut last time. A number of Fed officials are still worried about job weakness and the Fed may have to wait for the economic data that was delayed by the shutdown. The market implied probability of a cut to the Federal Funds Rate at the December 10th meeting dropped from 66% to 43% over the course of the week while the market implied end of 2026 rate rose from 3.04 to 3.08. Major economic reports (related consensus forecasts, prior data) for the upcoming week include: Monday: November Empire Manufacturing (7.6, 10.7); Tuesday: October Industrial Production MoM (0.0%, n/a); Wednesday: November 14 MBA Mortgage Applications (n/a, 0.6%), October Housing Starts (1328k, 1307k); Thursday: November 15 Initial Jobless Claims (225k, n/a), October Leading Index (-0.3%, n/a), October Existing Home Sales (4.08m, 4.06m); Friday: November Prelim. S&P Global US Manufacturing PMI (52.0, 52.5), November Final U. of Mich. Sentiment (50.5, 50.3).

US Equities

Weekly Index Performance:		Market Indicators:	
The Dow®	47,147.48 (0.41%)	Strong Sectors:	Health Care, Energy, Materials
S&P 500®	6,734.11 (0.12%)		
S&P MidCap 400®	3,205.01 (-1.13%)	Weak Sectors:	Consumer Discretionary, Utilities, Industrials
S&P SmallCap 600®	1,423.38 (-0.96%)		
Nasdaq Composite®	22,900.59 (-0.43%)	NYSE Advance/Decline:	1,265 / 1,558
Russell 2000®	2,388.23 (-1.79%)	NYSE New Highs/New Lows:	286 / 170
		AAII Bulls/Bears:	31.8% / 49.1%

Stocks traded higher the first half of last week before the longest government shutdown in history ended on Wednesday. A tech-led selloff followed on Thursday, leading into a weak open on Friday and a subsequent recovery in the S&P 500, which closed higher by 0.12% for the week. Uncertainty about next week’s heavy economic release calendar and how that data will affect the Federal Reserve’s December interest rate decision loomed over the markets last week. Fed officials gave a hesitant outlook for a rate cut as mixed data has put the velocity of the cut in question. Highly valued technology constituents whipsawed the major indexes as the market valuations of top-heavy names have been called into question. Specifically, there is debate on how the companies’ earnings growth could be clouded by the deduction of depreciation expense. The useful life of investments such as chips and data centers are up for debate and has added a layer of complexity to investors' evaluation of some of the largest players in the artificial intelligence industry. Next week, **Nvidia** will report quarterly results, and the almost $5 trillion dollar behemoth should give the market a clearer picture of its accounting treatment of its capital assets. From a sector perspective, Health Care names led the market last week with **Eli Lilly** up over 11%. A possible sector rotation saw Consumer Staples and Energy names lead the market last week. Staples have been the worst performing stocks in the S&P 500 this year as inflation has put a damper on growth for the group. A look into the health of the consumer will be on display next week as big box retailers **Walmart** and **Target** are both set to report quarterly results ahead of the holiday season. A busy economic calendar will shape sentiment next week as releases on import and export prices, factory orders, mortgages, payrolls, home sales, and consumer sentiment are all set for release.