## US Economy and Credit Markets

Yields and Weekly Changes:

| | | | |
|---|---|---|---|
| 3 Mo. T-Bill: | 4.299 (-1.2 bps) | Bond Buyer 40 Yield: | 4.42 (-3 bps) |
| 6 Mo. T-Bill: | 4.325 (-2.9 bps) | Crude Oil Futures: | 70.40 (-0.34) |
| 1 Yr. T-Bill: | 4.149 (-6.5 bps) | Gold Spot: | 2,936.05 (53.52) |
| 2 Yr. T-Note: | 4.198 (-6.1 bps) | Merrill Lynch High Yield Indices: | |
| 3 Yr. T-Note: | 4.207 (-6.2 bps) | US High Yield: | 7.41 (5 bps) |
| 5 Yr. T-Note: | 4.272 (-5.5 bps) | BB: | 6.34 (6 bps) |
| 10 Yr. T-Note: | 4.431 (-4.5 bps) | B: | 7.48 (4 bps) |
| 30 Yr. T-Bond: | 4.679 (-1.8. bps) | | |

Treasury yields dropped moderately over the course of the week on speculation on the timing and pace of interest rate cuts from the Federal Reserve Bank. The week started with Treasury yields in Europe rising moderately. President Donald Trump has pressured European countries to increase their defense spending, causing investors to believe that more national debt issuances are likely in the future. This led U.S. Treasury yields to rise in accordance with those internationally. Several Fed members also made statements expecting rates to stay steady for now, citing consumer prices that were hotter than expected. However, on Wednesday, minutes from the Fed meeting showed that policymakers are concerned about the debt-ceiling drama and discussed pausing or slowing quantitative tightening, causing yields to drop. Yields continued to decrease to end the week as weakness in the equity markets on a new coronavirus study in China and increased inflation concerns led investors to seek Treasurys. The market implied probability of an increase to the Federal Funds Rate during the March meeting remained near zero at 6% with the probability of an increase at the May meeting increasing from 19% to 27%. The market implied rate for the end of 2025 dropped 6 basis-points to 3.87 over the course of the week. Major economic reports (related consensus forecasts, prior data) for the upcoming week include: Tuesday: February Conf. Board Consumer Confidence (103.2, 104.1); Wednesday: February 21 MBA Mortgage Applications (n/a, -6.6%), January New Home Sales (678k, 698k); Thursday: 4Q Second Reading GDP Annualized QoQ (2.3%, 2.3%), January Prelim. Durable Goods Orders (2.2%, -2.2%), February 22 Initial Jobless Claims (n/a, 219k); Friday: January Personal Income (0.3%, 0.4%), January Personal Spending (0.2%, 0.7%), January Prelim. Wholesale Inventories MoM (0.1%, -0.5%), February MNI Chicago PMI (n/a, 39.5).

## US Equities

| Weekly Index Performance: | | Market Indicators: | |
|---|---|---|---|
| The Dow® | 43,428.02 (-2.48%) | Strong Sectors: | Utilities, Health Care<br>Energy |
| S&P 500® | 6,013.13 (-1.63%) | | |
| S&P MidCap 400® | 3,101.90 (-3%) | Weak Sectors: | Industrials, Comm. Services<br>Cons. Discretionary |
| S&P SmallCap 600® | 1,378.64 (-3.55%) | | |
| Nasdaq Composite® | 19,524.01 (-2.49%) | NYSE Advance/Decline: | 950 / 1,885 |
| Russell 2000® | 2,195.35 (-3.69%) | NYSE New Highs/New Lows: | 183 / 129 |
| | | AAII Bulls/Bears: | 29.2% / 40.5% |

The S&P 500 fell 1.63% over the shortened week, capped by a Friday sell-off after consumer sentiment disappointed expectations, long term inflation expectations were their highest since 1995, and the South China Morning Post reported a new coronavirus. Energy and more defensive sectors such as Utilities and Health Care led the market. Utilities names proved a safer shelter amidst market volatility, and their bond-like nature was beneficial as interest rates ended lower for the week. Within the Utilities sector, the Water Utilities industry performed best, while the Independent Power & Renewable Electricity Producers industry in the AI revolution periphery fell 8.41%, despite outperforming the S&P 500 year to date. The Health Care sector performed well as the Biotechnology industry and the Pharmaceuticals industry rose 4.77% and 4.26%, respectively, for the week that ended with the coronavirus news. Consumer Staples sector name **Wal-Mart Inc.** sank after the retail giant announced guidance for 2026 fiscal-year revenue that disappointed the market, raising questions about the strength of the American consumer. Speaking of the American consumer, the Consumer Discretionary sector performed worst among sectors in the S&P 500, led lower by the Broadline Retail industry, which included **Amazon.com Inc**.'s -5.29% return as these worries about consumer strength percolated through the market. In other news, housing starts were down 9.8% month over month, while existing home sales fell 4.9%. The University of Michigan Sentiment Index came in at 64.7, below the 67.8 figure expected, while long-term inflation expectations registered at 3.5%. Upcoming this week there will be plenty of news for investors to digest; on the economic front, the Chicago Fed National Activity Index, the Dallas Fed's Manufacturing Activity Index and its Services Activity Index, and the Philadelphia Fed Non-Manufacturing Activity Index, along data on new home sales and the second reading of 4Q24 GDP. Personal income and spending data will round out the week. On the earnings front, 54 members of the S&P 500 are expected to announce quarterly earnings next week, among which include semiconductor giant **NVDIA Corp**., home improvement retailer **Home Depot Inc.,** and software names **Salesforce Inc**. and **Intuit Inc.**