US Economy and Credit Markets

Yields and Weekly Changes:

3 Mo. T-Bill:	4.336 (1.6 bps)	Bond Buyer 40 Yield:	4.81 (2 bps)
6 Mo. T-Bill:	4.261 (2.9 bps)	Crude Oil Futures:	62.49 (1.47)
1 Yr. T-Bill:	4.119 (6.3 bps)	Gold Spot:	3,203.56 (-121.33)
2 Yr. T-Note:	3.999 (10.8 bps)	Merrill Lynch High Yield Indices:	
3 Yr. T-Note:	3.982 (10.4 bps)	US High Yield:	7.70 (-24 bps)
5 Yr. T-Note:	4.093 (9.2 bps)	BB:	6.39 (-19 bps)
10 Yr. T-Note:	4.477 (9.9 bps)	B:	7.94 (-26 bps)
30 Yr. T-Bond:	4.944 (11.0 bps)		

Treasury Yields rose moderately throughout the week on deescalating trade tensions and speculation on the future of interest rate cuts by the Federal Reserve Bank. Investors began the week in a risk-on environment as the United States and China agreed to a truce in the trade war. The U.S. dropped the tariff on Chinese related imports from 145% to 30% while China dropped the levies on U.S. goods from 125% to 10%, along with removing non-tariff trade barriers from U.S. imports. The agreement is temporary while the two sides use the additional time to negotiate a longer-lasting solution. This caused Treasury yields to rise significantly on Monday, as investors took a risk-on approach and reduced their expectation for the Fed to aid the economy with additional rate cuts to the Federal Funds Rate. On Tuesday, the Consumer Price Index rose at a less than expected 2.3% year-over-year, compared to consensus estimate of 2.4%, further easing investors' fears on inflation, and prompting President Donald Trump to continue to publicly pressure the Fed to lower interest rates. The optimism continued into Wednesday as yields rose moderately. However, yields declined moderately on Thursday as weaker economic data increased speculation that the Fed would have to lower interest rates to help avoid a recession. The market implied Federal Funds Rate at the end of 2025 rose from 3.67 to 3.83 over the course of the week as investors are now expecting no more than 2 rate cuts for the remainder of the year. Major economic reports (related consensus forecasts, prior data) for the upcoming week include: Monday: April Leading Index (-1.0%, -0.7%); Wednesday: May 16 MBA Mortgage Applications (n/a, 1.1%); Thursday: May 17 Initial Jobless Claims (230k, 229k), May Preliminary S&P Global US Manufacturing PMI (49.8, 50.2), April Existing Homes Sales (4.10m, 4.02m); Friday: April New Home Sales (690k, 724k).

US Equities

Weekly Index Performance:		Market Indicators:	
The Dow®	42,654.74 (3.5%)	Strong Sectors:	Info Tech, Cons. Discretionary Comm. Services
S&P 500®	5,958.38 (5.33%)		
S&P MidCap 400®	3,088.22 (4.87%)	Weak Sectors:	Cons. Staples, Real Estate Health Care
S&P SmallCap 600®	1,322.39 (4.65%)		
Nasdaq Composite®	19,211.10 (7.21%)	NYSE Advance/Decline:	2,143 / 682
Russell 2000®	2,113.25 (4.51%)	NYSE New Highs/New Lows:	175 / 63
		AAII Bulls/Bears:	35.9% / 44.4%

The S&P 500 rose 5.33% over a week that started with the U.S and China deciding to remove many reciprocal tariffs for 90 days while trade talks continue. Chip makers performed well after the news came out; **NVIDIA Corp**.'s 16.07% return led Semiconductor industry contributions to the S&P 500. Trade-sensitive industries Automobiles and Broadline Retail within the Consumer Discretionary sector performed well, with **Tesla Inc.** returning 17.34% and **Amazon.com Inc.** returning 6.49% within their respective industries. Interactive Media industry name Meta Platforms rose 8.08% while **Alphabet Inc**.'s A share rose 8.80%; truly a tour de force for the Magnificent 7 as only **Microsoft** underperformed the overall S&P 500 in the group with its 3.73% return. Health Care came in last among sectors, with **UnitedHealth Group** falling 23.31% over the week after the health care provider announced its CEO was stepping down on Tuesday and reports that the company was under criminal investigation for Medicare fraud came out on Thursday. There was good news on the inflation front for April as YoY CPI came in cooler than expected at 2.3% rather than 2.4%, and PPI Final Demand YoY saw 2.4% vs the 2.5% expected, down from 2.7% at the last reading. In other news, housing starts (1361k vs 1363k est.) and building permits (1412k vs 1450k est) for April disappointed expectations. The preliminary University of Michigan consumer sentiment figure for May came in below the expectation of 53.4 at 50.8, while 1 year inflation expectations were 7.3% vs the expected 6.5% and 5-10 year inflation expectations were 4.6% rather than the 4.4% expected. Upcoming this week there will be plenty of news for investors to digest; on the economic front, we will get the Philadelphia Fed's Non-Manufacturing Activity Index and the Chicago Fed's National Activity Index for April, Existing and New Home Sales for April, as well as a final reading for April Building Permits. On the earnings front, 16 members of the S&P 500 will report, including Specialty Retail names **The Home Depot**, **The TJX Cos**., and **Lowe's Cos**., in addition to Software names **Intuit Inc**. and **Palo Alto Networks Inc.**