US Economy and Credit Markets

Yields and Weekly Changes:

3 Mo. T-Bill:	4.336 (0.3 bps)	Bond Buyer 40 Yield:	5.01 (6 bps)
6 Mo. T-Bill:	4.291 (-1.9 bps)	Crude Oil Futures:	64.58 (3.79)
1 Yr. T-Bill:	4.139 (4.1 bps)	Gold Spot:	3,310.42 (21.17)
2 Yr. T-Note:	4.037 (13.9 bps)	Merrill Lynch High Yield Indices:	
3 Yr. T-Note:	4.020 (15.8 bps)	U.S. High Yield:	7.70 (-1 bps)
5 Yr. T-Note:	4.121 (15.9 bps)	BB:	6.34 (-4 bps)
10 Yr. T-Note:	4.506 (10.5 bps)	B:	7.91 (-4 bps)
30 Yr. T-Bond:	4.968 (3.7 bps)		

The US economy added 139,000 jobs in May, which was higher than the 126,000 expected, while the unemployment rate held steady at 4.2%. However, the prior two months were revised lower by 95,000 jobs, resulting in a net gain of 44,000. The report suggests the labor market is in neutral, with neither fast hiring nor mass layoffs, as employers navigate economic uncertainty and quickly evolving trade policy. The market pared rate-cut expectations to less than two for this year following the report, which failed to show the significant weakness that would cause the Fed to budge from its current wait-and-see approach. Meanwhile, the service sector of the US economy contracted unexpectedly in May for the first time since last June, measured by the ISM Services Index. It was just the fourth contraction in service sector activity over the last 5 years. The contraction was driven by a sharp decline in new orders. Participants mentioned tariff-related uncertainty is weighing on business activity. The prices paid index within the report reached its highest level since 2022, likely due to tariff impacts. The US trade deficit shrank in April by a record $76.7 billion, being cut by more than half from March. The narrowing was due to a plunge in imports, pulling back sharply after a month of a tariff frontrunning. Major economic reports (related consensus forecasts, prior data) for the upcoming week include Monday: April Final Wholesale Inventories MoM (0.0%, 0.0%); Wednesday: May CPI MoM (0.2%, 0.2%), May CPI YoY (2.5%, 2.3%), June 6 MBA Mortgage Applications (N/A, -3.9%); Thursday: June 7 Initial Jobless Claims (241k, 247k), May PPI Final Demand MoM (0.2%, -0.5%); Friday: June Preliminary U. of Mich. Sentiment (52.4, 52.2).

US Equities

Weekly Index Performance:		Market Indicators:	
The Dow®	42,762.87 (1.23%)	Strong Sectors:	Comm. Services, Info Tech
S&P 500®	6,000.36 (1.54%)		Energy
S&P MidCap 400®	3,051.10 (1.69%)	Weak Sectors:	Cons. Discretionary, Utilities
S&P SmallCap 600®	1,311.76 (2.18%)		Cons. Staples
Nasdaq Composite®	19,529.95 (2.2%)	NYSE Advance/Decline:	1,897 / 929
Russell 2000®	2,132.25 (3.23%)	NYSE New Highs/New Lows:	188 / 83
		AAII Bulls/Bears:	32.7% / 41.4%

The S&P 500 gained 1.54% last week with 8 out of the 11 sectors finishing the week in the green. The index was led higher by the Communication Services sector which finished the week 3.19% higher. The best performing stock in the sector was **Meta Platforms** which shot up 7.76%, the social media company caught a bid last week after it was announced the firm had entered into a long term purchase agreement for nuclear energy from utility provider **Constellation Energy**. Meta also gained later in the week after the Wall Street Journal reported the firm is planning the release of its premium virtual reality device for 2026 with a price tag under $1,000. The worst performing sector in the S&P 500 was the Consumer Staples sector falling 1.48%. The sector was led lower by **Brown-Foreman Corporation** which fell 15.69% following its earnings release. The alcoholic beverage maker fell the most since 2008 after its fiscal 4th quarter earnings missed analysts' projections and management guided for declining sales this year. Management highlighted cash strapped consumers, weight loss drugs, and younger generation's preference for cannabis over alcohol contributing to decreased demand. While Brown-Foreman's stock suffered last week it wasn't the worst performing stock in the S&P 500. **Lululemon Athletica** fell 16.23% after it reported disappointing earning's results for the 2nd quarter in a row. Management also gave poor guidance as tariffs are expected to inflate costs and cautious consumers are tightening their wallets weighing on demand. The perfect storm of rising costs and lower demand due to economic uncertainty creates a large obstacle for the company as passing along 100% of tariff costs may materially impact sales volume. There was a silver lining to the earnings call, early performance of the firm's new items such as high-rise trousers and running shorts was strong. Unfortunately, this strong reception to its new products wasn't enough to alleviate the fears of a broader slowdown. While some stocks have suffered double digit declines due to fears of consumers' pulling back spending others continue to surge. The S&P 500 only sat 2.34% below its all-time high as of Friday's close. Friday's job data wasn't a blowout but narrowly beat analysts' expectations, tariff fears have partially moderated, and 2nd quarter guidance from companies was positive for the most part leaving some strategists forecasting new highs on the market. The economy isn't firing on all cylinders but hasn't rapidly deteriorated either. While some strategists forecast new highs others remain cautious stressing the need to watch hard data this summer for additional clarity on the health of the economy.