US Economy and Credit Markets

Yields and Weekly Changes:

3 Mo. T-Bill:	4.020 (1.8 bps)	Bond Buyer 40 Yield:	4.69 (-22 bps)
6 Mo. T-Bill:	3.853 (-1.8 bps)	Crude Oil Futures:	62.69 (0.82)
1 Yr. T-Bill:	3.651 (0.1 bps)	Gold Spot:	3,643.14 (56.45)
2 Yr. T-Note:	3.556 (4.7 bps)	Merrill Lynch High Yield Indices:	
3 Yr. T-Note:	3.530 (5.0 bps)	US High Yield:	7.03 (-4 bps)
5 Yr. T-Note:	3.633 (5.1 bps)	BB:	5.91 (-5 bps)
10 Yr. T-Note:	4.064 (-1.0 bps)	B:	7.32 (-4 bps)
30 Yr. T-Bond:	4.680 (-7.9 bps)		

Treasury yields were mixed throughout the week as traders await the Federal Reserve's interest rate decision on Wednesday. A quarter-point rate cut is widely expected in response to a cooling labor market, despite inflation measures continuing to remain elevated. The Producer Price Index (PPI) declined 0.1% in August, well below the consensus expected decrease of 0.3%, and producer prices are now up 2.6% versus a year ago. “Core” producer prices (excluding food and energy) also declined 0.1%, though those prices are up 2.8% versus a year ago. The Consumer Price Index (CPI) rose 0.4% in August, above the consensus expected 0.3%, and consumer prices are now up 2.9% from a year ago. “Core” consumer prices rose 0.3%, matching consensus expectations, and remain up 3.1% from a year ago. Although both producer and consumer inflation remain above the Federal Reserve's 2% target, weaker labor data from last week has reinforced expectations that policymakers may deliver multiple rate cuts by the end of the year. Major economic reports (related consensus forecasts, prior data) for the upcoming week include: Monday: September Empire Manufacturing (5.0, 11.9); Tuesday: August Retail Sales Advance MoM (0.3%, 0.5%), August Industrial Production MoM (-0.1%, -0.1%); Wednesday: September 12 MBA Mortgage Applications (n/a, 9.2%), August Housing Starts (1365k, 1428k), September 17 FOMC Rate Decision (Upper Bound) (4.25%, 4.50%); Thursday: September 13 Initial Jobless Claims (240k, 263k), August Leading Index (-0.2%, -0.1%).

US Equities

Weekly Index Performance:		Market Indicators:	
DJIA:	45,834.22 (0.97%)	Strong Sectors:	Info. Tech., Utilities, Energy
S&P 500:	6,584.29 (1.60%)		
S&P Midcap:	3,282.40 (-0.42%)	Weak Sectors:	Health Care, Materials, Cons. Staples
S&P Smallcap:	1,441.96 (-0.51%)		
NASDAQ Comp:	22,141.10 (2.05%)	NYSE Advance/Decline:	1,586 / 1,238
Russell 2000:	2,397.06 (0.27%)	NYSE New Highs/New Lows:	360 / 71
		AAII Bulls/Bears:	28.0% / 49.5%

Last week, equity markets displayed a divergence in performance, with large-cap stocks continuing their upward trend while small and mid-cap names saw a pause. This was largely driven by economic data that solidified expectations for a Federal Reserve rate cut. On-target CPI, a below-expectations PPI, and weaker employment and consumer confidence figures all supported a more dovish outlook. Market-implied expectations for the upcoming Fed meeting now project at least one 25-basis-point rate cut, with a projected 3.75% fed funds rate to begin 2026. The primary corporate headline was **Oracle Corporation**, whose shares rallied nearly 36% after it reported results that, while in line with expectations, featured a massive guidance increase. Management announced that multi-billion-dollar cloud infrastructure contracts had boosted performance obligations—or backlog—to nearly $500 billion, highlighting soaring demand for its services and prompting a wave of analyst price target upgrades. In stark contrast, **Synopsys, Inc.** shares plunged nearly 29% after the company missed quarterly revenue and earnings expectations and subsequently cut its full-year guidance. Meanwhile, **Warner Brothers Discovery, Inc.**, owner of HBO, DC Entertainment, CNN and more, saw its stock soar over 55% amid heightened speculation of a potential acquisition bid from Skydance/Paramount. Shares of **Tesla, Inc.** rallied 12.9% last week, fueled by the news of CEO Elon Musk's new compensation package and a weekend filing showing he had purchased 2.5 million more shares. Looking ahead, the market awaits the Fed's interest rate decision, with a rate cut already priced in, and any deviation from this expectation is likely to trigger a significant market reaction.