US Economy and Credit Markets

Yields and Weekly Changes:

3 Mo. T-Bill:	4.002 (-13.7 bps)	Bond Buyer 40 Yield:	4.91 (-14 bps)
6 Mo. T-Bill:	3.871 (-8.9 bps)	Crude Oil Futures:	61.87 (-2.14)
1 Yr. T-Bill:	3.650 (-18.4 bps)	Gold Spot:	3,586.69 (141.74)
2 Yr. T-Note:	3.509 (-10.8 bps)	Merrill Lynch High Yield Indices:	
3 Yr. T-Note:	3.480 (-9.6 bps)	US High Yield:	7.07 (3 bps)
5 Yr. T-Note:	3.582 (-11.4 bps)	BB:	5.96 (-2 bps)
10 Yr. T-Note:	4.074 (-15.4 bps)	B:	7.36 (11 bps)
30 Yr. T-Bond:	4.759 (-16.9 bps)		

Treasury yields dropped significantly over the course of the week as poor job growth and economic uncertainty led to increased expectations for rate cuts from the Federal Reserve Bank. Slowing labor growth started to come into focus on Wednesday as a drop in job openings to the lowest in 10 years indicated a slowing pace of hiring and led investors to begin speculation that the Fed would cut rates more aggressively than previously expected. This expectation continued on Thursday as Initial Jobless Claims rose to the highest level since June, causing yields to sink further. In addition, Fed Governor Christopher Waller said that data shows that “labor demand may be on the edge of a sharp decline” during a speech. On Friday, the August Change in Nonfarm Payrolls showed only a 22k increase, compared to 73k the previous month and consensus estimates of 75k. This caused Treasury yields to drop significantly, with the 2-year yield reaching its lowest level since 2022, as investors began to seek the perceived safety of Treasurys and furthered the expectations for rate cuts by the Fed to bolster the economy. The market has now priced in a 100% chance of at least a single 25-basis-point cut to the Federal Funds Rate at the September 17th meeting, up from 88% last week, with an implied 9% probability of a 50-basis-point rate cut. The market implied end of year Fed Funds Rate dropped from 3.77 last week to 3.64 this week, implying an expectation for an additional half cut by the end of the year. Major economic reports (related consensus forecasts, prior data) for the upcoming week include: Wednesday: September 5 MBA Mortgage Applications (n/a, -1.2%), August PPI Final Demand MoM (0.3%, 0.9%), July Final Wholesale Inventories MoM (0.2%, 0.2%); Thursday: August CPI MoM (0.3%, 0.2%), August CPI YoY (2.9%, 2.7%), September 6 Initial Jobless Claims (234k, 237k); Friday: September Prelim. U. of Mich. Sentiment (58.0, 58.2).

US Equities

Weekly Index Performance:		Market Indicators:	
The Dow®	45,400.86 (-0.26%)	Strong Sectors:	Comm. Services, Cons. Discretionary Cons. Staples
S&P 500®	6,481.50 (0.36%)		
S&P MidCap 400®	3,296.77 (1.34%)	Weak Sectors:	Utilities, Financials Energy
S&P SmallCap 600®	1,449.75 (0.86%)		
Nasdaq Composite®	21,700.39 (1.16%)	NYSE Advance/Decline:	1,689 / 1,140
Russell 2000®	2,391.05 (1.07%)	NYSE New Highs/New Lows:	274 / 49
		AAII Bulls/Bears:	32.7% / 43.4%

The S&P 500 rose 36 basis points over a short week post-Labor Day. Communication services registered as the top sector as **Alphabet Inc.** surged once the interactive media giant announced that they would not be forced to divest their browser Chrome. **NVIDIA Inc.** continued its post-earnings decline as competitor chip maker **Broadcom Inc**. announced a partnership with OpenAI. The energy sector fell along with oil prices, while financials sector names (particularly banks) came under pressure as poor jobs data increased market expectations of a rate cut. The prospect of a rate cut sent home builders such as D.R. Horton Inc. higher however, helping propel the consumer discretionary sector to the second spot behind communication services; Tesla Inc. rising over 5% helped the consumer discretionary sector in a week that ended with the car company announcing a new proposed compensation plan for Elon Musk. Turning to economic news, the August S&P Global US Manufacturing PMI came in at 53.0, under the 53.3 estimate. July factory orders fell 1.3% in July in-line with expectations, while durable goods orders also met expectations, falling 2.8%. Nonfarm productivity registered a 3.3% figure for the second quarter, up from 2.4% and above the 2.7% expectation. The trade balance for July was -$78.3b, down from -$60.2b last time. The biggest economic news of the week came in on Friday when nonfarm payrolls came in at an anemic 22k, far below the 75k expected. Unemployment in August ticked up to 4.3% versus 4.2% last time, and Underemployment rose to 8.1% from 7.9%. On the earnings front, four members of the S&P 500 announce next week: software names **Oracle Corp**, **Adobe Inc**, and **Synopsys Inc**, as well as grocer **Kroger Co**.