

## US Economy and Credit Markets

### Yields and Weekly Changes:

3 Mo. T-Bill:	3.664 (-1.2 bps)	Bond Buyer 40 Yield:	4.77 (16 bps)
6 Mo. T-Bill:	3.727 (3.1 bps)	Crude Oil Futures:	105.42 (10.00)
1 Yr. T-Bill:	3.806 (8.1 bps)	Gold Spot:	4,540.08 (-175.17)
2 Yr. T-Note:	4.069 (18.4 bps)	Merrill Lynch High Yield Indices:	
3 Yr. T-Note:	4.138 (23.0 bps)	US High Yield:	7.45 (14 bps)
5 Yr. T-Note:	4.258 (25.6 bps)	BB:	6.30 (11 bps)
10 Yr. T-Note:	4.593 (23.9 bps)	B:	7.86 (15 bps)
30 Yr. T-Bond:	5.116 (18.2 bps)		

Treasury yields rose significantly over the course of the week as uncertainty surrounding the resolution to the conflict in Iran and the Strait of Hormuz led to higher oil prices and increased inflation expectations. Over the previous weekend, the U.S. and Iran could not agree to terms to end the conflict, which extinguished hopes of the Strait of Hormuz opening soon. On Tuesday, concerns over the energy disruptions affecting inflation materialized as the Consumer Price Index increased at a 3.8% year-over-year rate in April, which was higher than the consensus expectations of a 3.7% increase, and higher than last month's 3.3% increase. The Producer Price Index also rose at a 6.0% year-over-year rate in April, ahead of estimates of 4.8% and last month's 4.0%. Treasury yields rose early in the week as investors believed the increased energy prices and inflation expectations would lead to rate hikes from the Federal Reserve Bank before the end of the year. These concerns accelerated to end the week with Treasury yields rising significantly again on Friday after President Trump visited Xi Jinping in China, and it was reported that he didn't push his Chinese counterpart to pressure Iran to agree to a deal and open the Strait of Hormuz. The market implied probability of an increase to the Federal Funds Rate by the Fed before the end of 2026 rose from near 0% percent to 62%, while the market implied end of year rate rose from 3.65 to 3.78 over the course of the week. Oil rose 10% during the week as well. Major economic reports (related consensus forecasts, prior data) for the upcoming week include: Tuesday: April Pending Home Sales (1.6%, 1.5%); Wednesday: May 15 MBA Mortgage Applications (n/a, 1.7%); Thursday: May 16 Initial Jobless Claims (n/a, 211k), April Housing Starts (1420k, 1502k), May Preliminary S&P Global US Manufacturing PMI (53.6, 54.5); Friday: May Final U. of Mich. Sentiment (48.2, 48.2).

## US Equities

### Weekly Index Performance:

### Market Indicators:

The Dow®	49,526.17 (-0.11%)	Strong Sectors:	Energy, Cons. Staples
S&P 500®	7,408.50 (0.17%)		Info Tech
S&P MidCap 400®	3,609.80 (-2.4%)	Weak Sectors:	Materials, Real Estate
S&P SmallCap 600®	1,629.28 (-3.17%)		Cons. Discretionary
Nasdaq Composite®	26,225.14 (-0.06%)	NYSE Advance/Decline:	745 / 2,076
Russell 2000®	2,793.30 (-2.34%)	NYSE New Highs/New Lows:	285 / 214
		AAll Bulls/Bears:	39.3% / 36.6%

The S&P 500 rose a mere 17 basis points last week, giving back on Friday most of the week's performance. The market shook off a hot inflation print and elevated oil prices initially, with the S&P 500 rising 1.4% and hitting a new record close of 7,501 by Thursday's end as Trump's visit to China fostered optimism. When it seemed that nothing groundbreaking came out of said summit, the market retreated on Friday. Friday also happened to be the day Jerome Powell's chairmanship of the Federal Reserve ended, with Kevin Warsh next up to take the helm. With rising oil prices as the Iran conflict continues, the energy sector outperformed all others. The consumer staples sector was a distant second, led by tobacco industry names as their pricing power becomes attractive in an inflationary environment. Information technology came in third place, led by communications equipment name **Cisco Systems**, whose networking systems are in high demand amidst the AI build-out. Worries of inflation's effects on pricing power weighed on the consumer discretionary sector, which underperformed all other sectors. The real estate sector felt the pressure of the possibility of higher interest rates as borrowing costs would increase. Real estate gloom sent the construction materials industry within the materials sector lower. Turning to economic news from last week, existing home sales for April were 4.02m, below the 4.05m figure expected. Inflation came in hot with April's YoY CPI being 3.8% (3.70% expected) and PPI final demand YoY for April was 6.00% (4.80% expected). The Import Price Index for April was 1.90% MoM (versus 1.00% expected) and 4.20% YoY (versus 3.10% expected). Retail sales advance MoM for April met the 0.50% expectation. April's YoY real average earnings registered -0.30%. Expect the following this week: home sales, housing starts, building permits, PMI data, and sentiment reads from the University of Michigan. On the earnings front, 18 members of the S&P 500 report earnings, including chipmaker **NVIDIA**, consumer staples giant **Walmart**, and specialty retailer **The Home Depot**.