US Economy and Credit Markets

Yields and Weekly Changes:

3 Mo. T-Bill:	3.794 (1.4 bps)	Bond Buyer 40 Yield:	4.82 (9 bps)
6 Mo. T-Bill:	3.907 (0.5 bps)	Crude Oil Futures:	87.06 (+4.66)
1 Yr. T-Bill:	4.008 (5.1 bps)	Gold Spot:	4,603.07 (+226.67)
2 Yr. T-Note:	4.236 (6.7 bps)	Merrill Lynch High Yield Indices:	
3 Yr. T-Note:	4.312 (6.5 bps)	U.S. High Yield:	7.50 (6 bps)
5 Yr. T-Note:	4.424 (6.0 bps)	BB:	6.35 (2 bps)
10 Yr. T-Note:	4.734 (4.2 bps)	B:	7.78 (6 bps)
30 Yr. T-Bond:	5.271 (1.2 bps)		

Treasury yields had a volatile week, with long-end yields surging to their highest levels since 2007 amid mounting fiscal concerns, the national debt crossing $40 trillion, and heavy AI-related debt issuance adding further pressure. Bessent's Wednesday announcement of doubled debt buybacks briefly pulled yields lower, but by Thursday the 10-year climbed back to 4.70% and the 30-year to near 5.25%. Short-term yields held steady, underscoring a fiscal-driven story rather than a shift in Fed expectations. Analysts warn the Treasury's room to maneuver is limited by the debt ceiling, and if yields spike again, the Fed could face pressure to step in, a scenario that would complicate Chair Kevin Warsh's internal debate over shrinking the balance sheet, which he's set to address at next week's Jackson Hole symposium. Separately, housing starts fell 12.4% in July to a 1.239 million annual rate, worse than every Bloomberg forecast, as both single-family and multi-unit starts declined. They're now 13.5% below year-ago levels amid a downturn dating to 2022, worsened by affordability pressures from the Iran conflict's toll on energy costs and mortgage rates. Industrial production rose 0.2% in July, with broad-based strength across all three major categories: manufacturing gained 0.2% despite a 2.1% drop in the volatile auto sector, and prior months were revised higher. Major economic reports (related consensus forecasts, prior data) for the upcoming week include Monday: Tuesday: July New Home Sales (620k, 628k), August Conference Board Consumer Confidence (90.2, 90.8); Wednesday: August 21st MBA Mortgage Applications (N/A, -0.4%), July Personal Income (0.2%, 0.2%), July Personal Spending (0.1%, 0.3%), July Preliminary Durable Goods Orders (0.5%, 0.5%), 2Q S GDP Annualized QoQ (1.5%, 1.5%); Thursday: July Preliminary Wholesale Inventories MoM (0.2%, 0.2%), August 22 Initial Jobless Claims (208k, 206k); Friday: August MNI Chicago PMI (57.9, 57.6), August Final University of Michigan Sentiment (51.0, 51.0).

US Equities

Weekly Index Performance:		Market Indicators:	
The Dow®	53,277.01 (-0.78%)	Strong Sectors:	Health Care, Energy, Materials
S&P 500®	7,674.37 (-1.39%)		
S&P MidCap 400®	3,830.40 (-2.43%)	Weak Sectors:	Utilities, Industrials, Info. Tech
S&P SmallCap 600®	1,789.38 (-2.08%)		
Nasdaq Composite®	26,180.46 (-2.02%)	NYSE Advance/Decline:	2,154 / 3,074
Russell 2000®	3,017.87 (-1.60%)	NYSE New Highs/New Lows:	473 / 446
		AAII Bulls/Bears:	35.5% / 39.9%

Stocks traded lower for the first time in four weeks, as the S&P 500 dropped 1.39% while staying positive for the month of August. On Thursday, **Walmart Inc**. announced earnings that gave a sluggish view of the US consumer. The company said its comparable sales grew at the slowest pace in more than six years, which sent the stock down over 9% to close at a nine-month low. In health care, **Moderna** and **Merck** are developing an mRNA cancer vaccine that has kept melanoma from returning. The success of the trial could lead to more uses of the vaccine to treat other types of cancer. The late-stage trial results sent Moderna stock higher by almost 130% for the week. Solid economic data kept investors optimistic despite worries about inflation and elevated government spending that caused bond yields to climb, before Treasury Secretary Scott Bessent announced plans to increase purchases of 10- and 30-year debt. Higher rates weighed on utilities stocks for the week; the group was lower by about 3.5% in the S&P 500. Turnaround names in the index saw their efforts rewarded last week: big-box retailer **Target** boosted its sales expectations for next year, and cosmetics maker **Estée Lauder** ended a three-year streak of declining sales with its latest earnings release. Shifting to a different asset class, bitcoin traded higher by about 22% last week after the move in Treasuries caused a broadening out into other asset classes, including precious metals. The move in the cryptocurrency was its largest weekly gain since March 2023, despite peaking in value last October. Looking ahead to next week, data on home sales, jobs, and consumer sentiment are all set for release.