US Economy and Credit Markets

Yields and Weekly Changes:

3 Mo. T-Bill:	3.753 (-14.5 bps)	Bond Buyer 40 Yield:	4.80 (unch.)
6 Mo. T-Bill:	3.942 (-9.7 bps)	Crude Oil Futures:	84.67 (-4.64)
1 Yr. T-Bill:	4.033 (-7.3 bps)	Gold Spot:	4,046.15 (-6.64)
2 Yr. T-Note:	4.291 (-3.9 bps)	Merrill Lynch High Yield Indices:	
3 Yr. T-Note:	4.352 (-1.0 bps)	U.S. High Yield:	7.67 (8 bps)
5 Yr. T-Note:	4.449 (2.3 bps)	BB:	6.54 (9 bps)
10 Yr. T-Note:	4.735 (5.8 bps)	B:	7.95 (7 bps)
30 Yr. T-Bond:	5.272 (11.5 bps)		

The Fed left rates unchanged at its meeting last week, which was expected. Three Federal Open Market Committee members dissented in favor of raising rates. Asked why the Fed did not raise rates, Fed Chairman Kevin Warsh said market interest rates have been rising, implying the market forces are working to bring down inflation in the Fed's place. "Market participants are learning to play the ball and not the referee," he said. The Fed also reiterated its pledge to deliver price stability. In response, the 30-year US Treasury climbed to its highest level in 19 years. The US economy grew at a 1.5% annualized pace in the second quarter, which was slower than expected. Consumer spending and business investment, especially for the AI buildout, were solid, but net exports declined, weighing on growth. Net exports can be volatile and were affected by ordering ahead of new tariffs as well as imports of things needed for the AI buildout like semiconductors. The PCE price index fell in June from the prior month on lower energy prices. Excluding food and energy, the index was up slightly but less than forecast. Major economic reports (related consensus forecasts, prior data) for the upcoming week include Monday: July Final S&P Global US Manufacturing PMI (53.8, 53.8), July ISM Manufacturing (53.9, 53.3), June Construction Spending MoM (0.2%, 0.1%); Tuesday: June Trade Balance (-$73.0b, -$77.6b), June Final Durable Goods Orders (0.3%, 0.3%), June Factory Orders (0.2%, -1.3%); Wednesday: July 31MBA Mortgage Applications (N/A, -6.4%), July ADP Employment Change (70k, 98k), July ISM Services Index (54.5, 54.0); Thursday: August 1 Initial Jobless Claims (203k, 197k), June Final Wholesale Inventories MoM (0.3%, 0.3%); Friday: July Change in Nonfarm Payrolls (83k, 57k), July Unemployment Rate (4.2%, 4.2%).

US Equities

Weekly Index Performance:		Market Indicators:	
The Dow®	52,485.03 (1.04%)	Strong Sectors:	Cons. Discretionary, Comm. Services
S&P 500®	7,489.72 (1.06%)		Cons. Staples
S&P MidCap 400®	3,758.64 (-0.66%)	Weak Sectors:	Materials, Real Estate
S&P SmallCap 600®	1,768.56 (0.42%)		Utilities
Nasdaq Composite®	25,373.85 (1.6%)	NYSE Advance/Decline:	1,533 / 1,282
Russell 2000®	2,931.34 (0.05%)	NYSE New Highs/New Lows:	286 / 189
		AAII Bulls/Bears:	31% / 42.1%

The S&P 500 returned 1.06% last week as a late week rally drove risk assets higher. The index was led higher by the Consumer Discretionary sector, which rallied 8.30%. The sector's best performer was **Garmin Ltd**, which shot up 20.88%, following the firm's second quarter earnings release. The consumer electronics company beat consensus estimates on the top and bottom line in addition to raising full year earnings guidance leading to price target increases at a plethora of firms. The Consumer Discretionary sector also benefitted from mega cap, **Amazon.com Inc,** which rallied 17.00% following its earnings release. Shares of the firm soared higher after the company reported cloud-computing revenue accelerated for the fifth straight quarter helping ease investors' worries about sky high artificial intelligence capital expenditure. Chief Executive Officer, Andy Jassy, said "we're unusually well positioned for this AI inflection" while also announcing higher capital expenditures driven by AI. The worst performing sector was the Utilities sector which fell 4.21%. The sector experienced broad-based negative performance as thirty of the sector's thirty-one constituents had a negative return for the week. The worst performer within the sector was **Vistra Corp,** which fell 9.30%. Vistra saw pressure last week after the PJM interconnection board approved a reliability backstop framework in order to boost energy production on the power grid. The market viewed this as potentially bad news for power producers as more capacity may drive lower electricity prices subsequently making current revenue forecasts less reliable. Utilities also broadly saw weakness driven by the long end of the treasury curve selling off as Utility companies generally rely on heavy debt loads in order to fund projects. Upcoming this week 137 companies in the S&P 500 are expected to report earnings results. Notable companies include: **Caterpillar Inc**, **Uber Technologies Inc**, **The Walt Disney Company**, **Sandisk Corp**, and **Monster Beverage Corp**.