US Economy and Credit Markets

Yields and Weekly Changes:

3 Mo. T-Bill:	4.070 (7.0 bps)	Bond Buyer 40 Yield:	5.15 (6 bps)
6 Mo. T-Bill:	4.261 (11.9 bps)	Crude Oil Futures:	100.30 (+0.25)
1 Yr. T-Bill:	4.395 (7.6 bps)	Gold Spot:	4,378.63 (+29.55)
2 Yr. T-Note:	4.743 (11.8 bps)	Merrill Lynch High Yield Indices:	
3 Yr. T-Note:	4.832 (11.6 bps)	U.S. High Yield:	7.91 (10 bps)
5 Yr. T-Note:	4.856 (7.4 bps)	BB:	6.72 (10 bps)
10 Yr. T-Note:	4.996 (2.9 bps)	B:	8.08 (9 bps)
30 Yr. T-Bond:	5.325 (-2.7 bps)		

Treasury yields surged this week as the Fed hiked rates for the first time since 2023. The FOMC unanimously raised the fed funds rate by 25bp and signaled at least one more increase this year. Fed Chair Kevin Warsh reaffirmed the Fed's commitment to fighting inflation after August core CPI came in hotter than expected, with surging energy prices (tied to the Iran conflict) adding further pressure. Warsh also noted that Treasuries have faced added competition for capital from a growing supply of corporate debt. New home construction fell 2.6% in August to a 1.275 million annual rate, but the drop was driven entirely by volatile multi-unit starts (-21.7%), while single-family starts rose 7.6% to a five-month high, up 5.2% year-over-year. Construction remains near 2019 levels amid a downtrend since the Fed's 2022 tightening began, with affordability now worsened by Iran-conflict-driven energy costs and inflation, further supporting Wednesday's rate hike. Retail sales rose 1.2% in August, broad-based and led by non-store retailers (+2.6%), with "core" sales up 1.3%, pointing to about 3.5% real GDP growth in Q3. Real (inflation-adjusted) sales rose just 2.6% year-over-year versus 6.0% nominal. That resilience, combined with above-target inflation, helped support this week's Fed rate hike. Separately, the Empire State factory index fell to +7.6 in September, while import and export prices rose 0.7% and 0.6% in August. Elsewhere, initial jobless claims fell 10,000 to 196,000 last week, while continuing claims dropped 39,000 to 1.730 million, pointing to continued job growth. In manufacturing, the Philadelphia Fed Index, a gauge of regional factory sentiment, slipped to +37.8 in September from +47.4 in August. Major economic reports (related consensus forecasts, prior data) for the upcoming week include: Wednesday: September 18th MBA Mortgage Applications (N/A, -4.1%), September Preliminary S&P Global US Manufacturing PMI (53.5, 53.9); Thursday: September 19th Initial Jobless Claims (200k, 196k), August New Home Sales (615k, 607k); Friday: August Preliminary Durable Goods Orders (-0.3%, 1.1%), September Final University of Michigan Sentiment (47.5, 47.8).

US Equities

Weekly Index Performance:		Market Indicators:	
The Dow®	51,682.64 (-1.65%)	Strong Sectors:	Health Care, Comm Services, Information Technology
S&P 500®	7,650.50 (-0.06%)		
S&P MidCap 400®	3,650.73 (-1.67%)	Weak Sectors:	Utilities, Financials, Real Estate
S&P SmallCap 600®	1,690.89 (-2.00%)		
Nasdaq Composite®	26,522.54 (0.73%)	NYSE Advance/Decline:	813 / 2,018
Russell 2000®	2,860.40 (-1.47%)	NYSE New Highs/New Lows:	115 / 554
		AAII Bulls/Bears:	28.8% / 53.3%

The S&P 500 traded slightly lower last week as volatility gripped the markets after the first interest rate hike in three years. On Friday, market volume surged as around $7 trillion of US options expired in what is known as a "triple witching." The heavy news flow has investors looking at all corners of the market for answers. In the S&P 500, 137 names had positive returns last week. Mega caps gave the index support, and six of the Magnificent 7 names outperformed the broad market. On a sector basis, Health Care was the best-performing group in the S&P 500. The sector was led by **Revvity Inc.,** on news of its drug discovery platform, which helps drugmakers increase the efficiency of their programs through data-driven decision making. Elevated oil prices due to global conflicts have pushed diesel prices to record levels. An agreement between Russia and Ukraine to halt strikes could offer some relief, but decreased supply would persist due to the ongoing wars in the Middle East. The AI buildout continues to benefit companies tied to the trend. **Generac Holdings** gained almost 11% last week after **Amazon** agreed to purchase $8 billion worth of generators for data centers. According to a filing, Amazon also received a warrant for a stake in the company. Artificial intelligence regulation has risen to the top of many politicians' agendas in the wake of warnings and resignations from leaders at some of the top companies. California Governor Gavin Newsom issued an executive order to speed up AI laws in the state and explore an "AI kill switch" for the most advanced AI models. Looking ahead to next week, economic data on jobs, durable goods, and consumer sentiment are all set for release.