US Economy and Credit Markets

Yields and Weekly Changes:

3 Mo. T-Bill:	3.845 (4.0 bps)	Bond Buyer 40 Yield:	4.95 (11 bps)
6 Mo. T-Bill:	3.993 (2.1 bps)	Crude Oil Futures:	91.48 (8.08)
1 Yr. T-Bill:	4.110 (-1.8 bps)	Gold Spot:	4,429.98 (-25.13)
2 Yr. T-Note:	4.366 (2.3 bps)	Merrill Lynch High Yield Indices:	
3 Yr. T-Note:	4.444 (4.4 bps)	US High Yield:	7.63 (18 bps)
5 Yr. T-Note:	4.545 (6.6 bps)	BB:	6.46 (17 bps)
10 Yr. T-Note:	4.782 (6.4 bps)	B:	7.83 (10 bps)
30 Yr. T-Bond:	5.242 (3.7 bps)		

Treasury yields rose slightly over the course of the week as investors weighed shipping through the Strait of Hormuz, the price of oil and the effects on inflation. Oil rose significantly on Monday and Tuesday as the U.S. and Iran re-engaged in military strikes against each other early in the week. President Trump said that the strikes were in retaliation for Iran attempting to put mines in the Strait of Hormuz. This led to increased concerns over inflation as oil rose to over $90 per barrel on Tuesday, and Treasury yields rose as well. However, hostilities calmed down later in the week as the U.S. demonstrated more control over shipping in the Strait. It was reported that, with U.S. protection, the amount of oil getting through the Strait was nearly back to the level before attacks on Iran began in February. This led the price of oil to level off for the second half of the week and Treasury yields to pull back moderately. Also, Federal Reserve Bank Governor Christopher Waller said on Thursday that if there is continued progress towards the 2% inflation goal then he would support holding rates steady. The market implied probability of an increase to the Federal Funds Rate at the September 16th meeting stayed relatively steady at 62%, while the implied end of year 2026 rate dropped from 4.01 to 3.97 over the course of the week. The price of a barrel of oil rose 10% from the previous week as well. Major economic reports (related consensus forecasts, prior data) for the upcoming holiday-shortened week include Wednesday: September 4 MBA Mortgage Applications (n/a, 0.8%); Thursday: September 5 Initial Jobless Claims (205k, 206k), August PPI Final Demand MoM (0.4%, 0.0%), August PPI Final Demand YoY (5.2%, 4.7%), August Existing Home Sales (3.99m, 4.06m), July Final Wholesale Inventories MoM (n/a, 1.3%); Friday: August CPI MoM (0.4%, 0.1%), August CPI YoY (3.4%, 3.4%), September Prelim. U. of Mich. Sentiment (51.0, 51.7).

US Equities

Weekly Index Performance:		Market Indicators:	
The Dow®	53,414.25 (-0.16%)	Strong Sectors:	Energy, Info Tech, Utilities
S&P 500®	7,718.60 (0.13%)		
S&P MidCap 400®	3,784.99 (0.18%)	Weak Sectors:	Real Estate, Materials, Cons. Discretionary
S&P SmallCap 600®	1,765.09 (-0.09%)		
Nasdaq Composite®	26,506.99 (0.42%)	NYSE Advance/Decline:	1,217 / 1,564
Russell 2000®	2,975.65 (0.15%)	NYSE New Highs/New Lows:	152 / 308
		AAII Bulls/Bears:	39.7% / 37.6%

The S&P 500 rose 13 bps over a week that started with further escalation in the conflict with Iran as the US military struck Iranian targets on Larak Island. Iran responded with largely ineffectual attacks on US bases in Jordan, ensuring oil remained over $90 a barrel. Energy performed best among sectors as oil prices rose; refiners **Marathon Petroleum** and **Valero Energy** both rose more than 5%. Information technology came in second, with the semiconductors industry leading the sector. Fed Governor Christopher Waller said he supported holding interest rates steady, allaying fears that raising capital to further fund the AI buildout would become more expensive. Consumer discretionary names performed worst among sectors as apparel names particularly struggled. **Lululemon Athletica** fell over 16% as the athleisure company sharply cut guidance for the year and creating doubt about a near-term turnaround. The materials sector underperformed, dragged down by the containers and packaging industry so tied to global trade. Turning to economic news, last week we saw for August ISM Manufacturing (54.6 vs. 55.2 exp.), ISM Services Index (55.4 vs. 54.1 exp.), JOLTS Job Openings (7271k vs. 7313k exp.), July Factor Orders (0.9% vs 0.7% exp.), the July Trade Balance (-$88.6b vs. -$90.2b exp.), Change in Nonfarm Payrolls (162k vs. 55k exp.), the August Unemployment Rate (4.1% as expected), and the Average Hourly Earnings MoM for August (0.3% as expected). Expect the following economic data this week: August PPI data, Existing Home Sales, and CPI numbers. On the earnings front, six members of the S&P 500 report earnings this week, including software names **Oracle** and **Adobe**, as well as grocer **Kroger**.