

US Economy and Credit Markets			
Yields and Weekly Changes:			
3 Mo. T-Bill:	1.912 (0.5 bps)	GNMA (30 Yr) 6% Coupon:	106-30/32 (3.89%)
6 Mo. T-Bill:	2.105 (2.1 bps)	Duration:	3.96 years
1 Yr. T-Bill:	2.312 (-0.9 bps)	Bond Buyer 40 Yield:	3.98 (unch.)
2 Yr. T-Note:	2.528 (-1.3 bps)	Crude Oil Futures:	74.15 (+5.57)
3 Yr. T-Note:	2.622 (-1.9 bps)	Gold Spot:	1,252.60 (-17.96)
5 Yr. T-Note:	2.738 (-2.9 bps)	Merrill Lynch High Yield Indices:	
10 Yr. T-Note:	2.860 (-3.5 bps)	U.S. High Yield:	6.57 (+14 bps)
30 Yr. T-Bond:	2.989 (-5.0 bps)	BB:	5.49 (+12 bps)
		B:	6.82 (+15 bps)

Treasury prices rose during the course of the week on trade tensions and weak demand for equities. On Monday, reports were that the Treasury Department was drafting limits on Chinese investments into U.S. companies and the National Security Council and Commerce Department were coming up with export controls on technologies to China. President Trump also threatened another round of tariffs on \$400b of Chinese imports if China retaliated. President Xi of China implied they would retaliate saying in their culture “they punch back.” The possible trade war led to a risk-off environment and for investors to seek the perceived safety of Treasuries, causing Treasury prices to rise. The 10-year Treasury hit its highest point of the month on Wednesday before retreating on Thursday and Friday as investors took a more risk-on approach with inflation hitting a 6-year high. Oil rose 8% during the week on strong demand, disruption from a major Canadian oil producer and speculation that Iran sanctions would drive up the price. Major economic reports (related consensus forecasts, prior data) for the upcoming week include: Monday: June Final Markit US Manufacturing PMI (54.8, 54.6), May Construction Spending (0.5%, 1.8%), June ISM Manufacturing (58.4, 58.7); Tuesday: May Factory Orders (0.0%, -0.8%), May Final Durable Goods Orders (N/A, -0.6%); Wednesday: June 29 MBA Mortgage Applications (N/A, -4.9%); Thursday: June ADP Employment Change (190k, 178k), June 30 Initial Jobless Claims (225k, 227k); Friday: May Trade Balance (-\$43.7b, -\$46.2b), June Change in Nonfarm Payrolls (195k, 223k), June Unemployment Rate (3.8%, 3.8%).

US Equities			
Weekly Index Performance:		Market Indicators:	
DJIA:	24,271.41 (-1.26%)	Strong Sectors:	Utilities, Real Estate, Telecom Services
S&P 500:	2,718.37 (-1.31%)	Weak Sectors:	Information Technology, Financials, Cons Discretionary
S&P Midcap:	1,951.67 (-1.85%)	NYSE Advance/Decline:	1,098 / 1,983
S&P Smallcap:	1,017.38 (-2.36%)	NYSE New Highs/New Lows:	151 / 263
NASDAQ Comp:	7,510.30 (-2.36%)	AAII Bulls/Bears:	28.4% / 40.8%
Russell 2000:	1,643.07 (-2.46%)		

Equities declined last week as the S&P 500 Index returned -1.31%. The index closed the month of June with a 0.62% return and a 2.65% return for the first half of 2018. The volatile week started with a large decline Monday morning as news focused on the escalating trade conflict. Concerns that President Trump would impose further tariffs led China and Europe to caution that the intensifying conflict could lead to a global economic downturn. Equities rallied back through Wednesday morning, but soured quickly with news of possible White House initiatives that would limit direct investment in US technology companies by Chinese entities and restrict some higher level technology exports to China. The S&P 500 Information Technology Index declined 1.45%. Equities recovered some of their losses on Thursday and Friday. In economic news, US new home sales in May came in higher than expected and higher than the previous month. University of Michigan Consumer Sentiment Index showed continued consumer optimism reporting a strong June. US initial jobless claims of 227K were higher than the consensus estimate of 220K and the previous week's 218K. Crude oil prices had another strong week increasing 8.12%, closing the week at \$74.15 per barrel. **McCormick & Company Inc.**, a manufacturer and marketer of spices and seasoning products for the food industry, was the week's best performing stock in the S&P 500 Index. The stock returned 9.43% last week after reporting strong 2<sup>nd</sup> quarter earnings on Thursday. **NIKE Inc.**, a designer and marketer of athletic footwear and apparel, increased 11.13% on Friday after their earnings announcement. The company beat 4<sup>th</sup> quarter earnings expectations and announced a new \$15 billion share repurchase program. **Vertex Pharmaceuticals Inc.**, a biotech pharmaceutical company that develops drugs for cystic fibrosis and autoimmune diseases, jumped 15.16% on Friday after declining 7.29% the first four days of the week. The stock's positive move came on news of mediocre test results for a competitor's new cystic fibrosis drug.

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