

US Economy and Credit Markets			
Yields and Weekly Changes:			
3 Mo. T-Bill:	4.144 (5.1 bps)	Bond Buyer 40 Yield:	5.48 (12 bps)
6 Mo. T-Bill:	4.311 (2.9 bps)	Crude Oil Futures:	91.85 (+0.74)
1 Yr. T-Bill:	4.436 (-1.4 bps)	Gold Spot:	4,194.24 (+53.05)
2 Yr. T-Note:	4.787 (-3.8 bps)	Merrill Lynch High Yield Indices:	
3 Yr. T-Note:	4.917 (-3.6 bps)	US High Yield:	8.41 (-3 bps)
5 Yr. T-Note:	5.016 (-3.8 bps)	BB:	7.17 (-5 bps)
10 Yr. T-Note:	5.238 (-3.3 bps)	B:	8.49 (-7 bps)
30 Yr. T-Bond:	5.596 (-2.4 bps)		

Treasury yields had a volatile week, with the 10-year climbing to its highest level since April 2002. Oil spiked after attacks on shipping near the Strait of Hormuz, and worries about the deficit and heavy Treasury issuance added to the pressure. Yields eased after a solid bond auction, but the 10-year was still trading around 5.24% on Friday, roughly 1.1 percentage points higher than a year ago. Service sector activity stayed solid in September, with the ISM Services index at 54.9, slightly below August and consensus. The index has held above 53.0 for ten straight months, the longest stretch since 2022, and growth was broad, with thirteen industries expanding. Business activity and new orders eased from August's multi-year highs but remain strong, backlogs hit a four-year high, and employment returned to expansion at 50.1. Initial jobless claims dipped to 197,000 last week, the fourth straight week below 200,000, an unusually low level of layoffs. Even so, hiring remains sluggish in a "low-hire, low-fire" market, and the number of people unemployed for more than six months has reached a five-year high. The U.S. trade deficit widened to \$105.6 billion in August as imports hit a record high, led by crude oil, gold, and semiconductors. The underlying driver is an AI-fueled import boom: AI-related capital goods imports are up \$273 billion year-to-date, boosting Taiwan (imports up 56.8%) while China slips to fourth place (down 16.3%). Major economic reports (related consensus forecasts, prior data) for the upcoming week include Tuesday: September Existing Home Sales (3.95m, 3.98m); Wednesday: October 9th MBA Mortgage Applications (N/A, -4.2%), September CPI MoM (0.6%, 0.4%), September CPI YoY (3.6%, 3.4%); Thursday: September Retail Sales Advance MoM (0.3%, 1.2%), October Empire Manufacturing (12.6, 7.6), October 10th Initial Jobless Claims (200k, 197k), September PPI Final Demand MoM (0.6%, 0.4%); Friday: September Industrial Production MoM (0.4%, 0.0%).

US Equities			
Weekly Index Performance:		Market Indicators:	
DJIA:	51,654.95 (0.96%)	Strong Sectors:	Cons. Staples, Utilities, Energy
S&P 500:	7,811.54 (1.17%)	Weak Sectors:	Comm. Services, Info. Tech., Industrials
S&P Midcap:	3,669.17 (0.05%)	NYSE Advance/Decline:	1,347 / 1,454
S&P Smallcap:	1,672.98 (-0.73%)	NYSE New Highs/New Lows:	124 / 518
NASDAQ Comp:	27,366.17 (0.65%)	AAll Bulls/Bears:	40.3% / 39.0%
Russell 2000:	2,806.98 (-0.90%)		

The S&P 500 returned nearly 1.2% last week, climbing from 7,723 to 7,811 at close on Friday, after an all-time high close of 7,819 on Tuesday. Falling oil and AI-linked earnings optimism drove stocks to records early in the week. However, Thursday brought a reversal after a report that **OpenAI's** annualized revenue is near \$50 billion, about \$20 billion below figures previously circulated. This sent the Nasdaq down 1.3% and chipmakers down more than 3.3%. Further on Thursday, Brent crude jumped 4% on higher Middle East tensions and potential infrastructure damage from Hurricane Isaias. The 10-year Treasury yield held above 5.2% as inflation pressures remain elevated. Among winners, **Marvell Technology** rallied 5.8% Tuesday, lifted by a hike in its fiscal 2028 revenue target to \$20 billion and set a \$70-90 billion fiscal 2031 goal at its investor day. Power names **Constellation Energy**, **Vistra** and **Talen Energy** surged Tuesday on news of a **Constellation** deal with **Alphabet's** Google. AI hardware slid Thursday, led by **Oracle** (-5.5% return), **Intel** (-5.3%), **Micron Technology** (-4.8%), **Advanced Micro Devices** (-3.9%) and **Nvidia** (-2.9%, roughly \$169 billion of market value), with **CoreWeave** losing 7.8%. On Friday, **Humana** jumped 11.6% after its Medicare Advantage Star Ratings improved, with 95% of members in plans rated four stars or better, and it reaffirmed 2026 guidance. Vaccine makers **Moderna**, **Novavax** and **Merck** all rallied on a report that the NIH will launch a public-private cancer vaccine effort. Friday, **SpaceX** agreed to buy a nationwide 800 MHz spectrum portfolio from **Grain Management** for about \$8 billion, advancing its Starlink Mobile plans. This pushed traditional mobile carriers lower with **T-Mobile US** (-13%), **Verizon Communications** (-10%, its worst day since 2002) and **AT&T** (-10%). Tower owners **Crown Castle** and **American Tower** bucked the telecom selloff. Looking ahead to next week, earnings season is expected to kick off with banks **JPMorgan**, **Bank of America**, **Wells Fargo** and **Citigroup** among others expected to release quarterly results.

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