

US Economy and Credit Markets			
3 Mo. T-Bill:	0.01 (-01 bps)	GNMA (30 Yr) 6% Coupon:	113-27/30 (1.26%)
6 Mo. T-Bill:	0.10 (+03 bps)	Duration:	3.74 years
1 Yr. T-Bill:	0.26 (+07 bps)	Bond Buyer 40 Yield:	4.32 (+06 bps)
2 Yr. T-Note:	0.73 (+11 bps)	Crude Oil Futures:	49.79 (+0.03)
3 Yr. T-Note:	1.14 (+14 bps)	Gold Futures:	1168.20 (-44.90)
5 Yr. T-Note:	1.70 (+20 bps)	Merrill Lynch High Yield Indices:	
10 Yr. T-Note:	2.24 (+25 bps)	U.S. High Yield:	6.50% (+15 bps)
30 Yr. T-Bond:	2.84 (+25 bps)	BB:	4.91% (+14 bps)
		B:	6.90% (+10 bps)

Treasury yields ended the week at 2015 highs as strong economic reports led investors to believe that the Federal Reserve would raise rates sooner than previously expected. Treasury yields rose significantly on Monday as core inflation met expectations, despite declines in personal income and consumer spending being larger than expected. German manufacturing also beat expectations, causing a risk on appetite and yields to rise. On Tuesday, Treasury yields rose again as demand for \$28B in newly announced corporate debt drew demand away from safer Treasuries. Treasury yields dipped slightly on Wednesday and Thursday as investors were seeking safety before the European Central Bank meeting and U.S. nonfarm payrolls report. Tempering the decline in yields on Wednesday was a better than expected number from the ISM non-manufacturing index. On Thursday, Mario Draghi set a minimum yield for bonds the central bank would purchase, which caused European sovereign bonds and U.S. Treasury prices to rise. The change in nonfarm payrolls report was significantly better than expected on Friday and Treasury yields soared to their highest level of the year on expectations that the Federal Reserve could be closer to a rate hike. Major economic reports (and related consensus forecasts) for the upcoming week include: Tuesday: January Wholesale Inventories (-0.1% MoM); Wednesday: Mar 6 MBA Mortgage Applications; Thursday: February Advance Retail Sales (0.3% MoM), Mar 7 Initial Jobless Claims (305,000); Friday: February PPI Final Demand (0.3% MoM 0.0% YoY), Mar P U. of Mich. Sentiment (95.5).

US Equities			
Weekly Index Performance:		Market Indicators:	
DJIA:	17,856.78 (-1.50%)	Strong Sectors:	Financials, Cons Disc, Health Care
S&P 500:	2,071.26 (-1.54%)	Weak Sectors:	Utilities, Energy, Telecom
S&P Midcap:	1,486.62 (-1.29%)	NYSE Advance/Decline:	843/ 2,411
S&P Smallcap:	697.18 (-1.78%)	NYSE New Highs/New Lows:	362/98
NASDAQ Comp:	4,927.37 (-0.70%)	AAll Bulls/Bears:	39.8% / 23.4%
Russell 2000:	1,217.52 (-1.26%)		

U.S. stocks traded higher to begin the week, with the Nasdaq composite trading above 5,000 for the first time in almost 15 years, before retreating to end lower for the week. Most of the weekly loss came on Friday, after a robust job report led investors to speculate the Federal Reserve might need to raise rates sooner. Payroll data showed an unemployment rate of 5.5%, nearly a seven year low, as employers added 295,000 jobs versus an estimate of 235,000. Payrolls have now increased by over 200,000 for the 12th consecutive month, the longest streak since 1995. Other economic news was more muted as ISM manufacturing data, although still expansionary, declined for the 4th consecutive month due mainly to lower energy prices and the strong dollar. Personal spending also fell in January, despite strong employment gains and lower prices at the pump. Utilities and REITs were some of the worst performing sectors due to their bond like exposure, while financials was the best performing sector as banks and insurers would generally benefit from higher rates. **Costco Wholesale Corp.** reported better-than-expected results as comparable store sales increased by 8%, besting **Wal-Mart Store** and **Target Corp.** same-store-sales growth of 1.5% and 3.2%. **Lumber Liquidators Holdings** plummeted over 35% for the week after a "60 minutes" report alleged the business sold flooring that didn't meet California health and safety standards. In merger news, **AbbVie Inc.** agreed to buy **Pharmacyclis Inc.** for \$21 billion, outbidding Johnson & Johnson for the biotech known for its cancer drug Imbruvica. In technology, **NXP Semiconductors NV** surged 17% after agreeing to buy **Freescale Semiconductor Ltd.** Looking forward, retail sales will be the key economic data point next week as sales have declined the last two months, but are expected to recover in February. Although the sanguine jobs report increased the likelihood of a mid-year rate hike, the Fed is unlikely to raise rates until stronger economic growth emerges. Investors could win in both scenarios as lower growth could lead to a more accommodative Fed, while a rate increase would only be accompanied by robust growth.