US Economy and Credit Markets

Yields and Weekly Changes:

3 Mo. T-Bill:	0.02 (+02 bps.)	GNMA (30 Yr) 6% Coupon:	113-31/32 (1.36%)
6 Mo. T-Bill:	0.07 (+01 bps)	Duration:	3.75 years
1 Yr. T-Bill:	0.26 (+01 bps)	Bond Buyer 40 Yield:	4.47 (+08 bps)
2 Yr. T-Note:	0.72 (+11 bps)	Crude Oil Futures:	58.91 (-1.39)
3 Yr. T-Note:	1.10 (+17 bps)	Gold Futures:	1167.80 (-21.60)
5 Yr. T-Note:	1.74 (+25 bps)	Merrill Lynch High Yield Indices:	
10 Yr. T-Note:	2.41 (+28 bps)	U.S. High Yield:	6.65% (+23 bps)
30 Yr. T-Bond:	3.11 (+23 bps)	BB:	5.11% (+25 bps)
		B:	6.82% (+12 bps)

Treasury prices dropped significantly over the course of the week on strong economic reports. On Monday, manufacturing and construction spending both exceeded analyst expectations, causing the largest one day rise in yields since May 11th. The drop in Treasury prices continued on Tuesday as stronger than expected inflation data gave yields the largest two day gain since July 2013. These reports gave investors optimism following Friday's revision of the 1Q GDP that showed that the U.S. economy shrank in the 1st quarter. Yields continued to climb on Wednesday to their highest level since November 6th, 2014 as Eurozone government bonds melted down with Mario Draghi's comments that the markets should get used to periods of higher market volatility and the central bank stands behind stimulus efforts. Treasury prices rebounded on Thursday as initial jobless claims were in line with expectations and investors braced for Friday's jobs report. On Friday, the change in nonfarm payrolls came in much higher than anticipated causing Treasury prices to plummet once again as investors took this as an indication that the Federal Reserve may raise rates at the June meeting. Gold and Oil each dropped about 2%. Major economic reports (and related consensus forecasts) for the upcoming week include: Tuesday: April Wholesale Inventories (0.2% MoM); Wednesday: June 5 MBA Mortgage Applications; Thursday: May Advance Retail Sales (1.2% MoM), May Import Price Index (0.9% MoM), June 6 Initial Jobless Claims (276,000); Friday: May PPI Final Demand (0.4% MoM), Jun P U. of Michigan Sentiment (91.3).

US Equities

Weekly Index Performance:		Market Indicators:	
DJIA:	17,849.46 (-0.87%)	Strong Sectors:	Financials, Industrials, Consumer Discretionary
S&P 500:	2,092.83 (-0.65%)		
S&P Midcap:	1,526.62 (0.17%)	Weak Sectors:	Utilities, Consumer Staples, Telecommunication Services
S&P Smallcap:	722.12 (1.31%)		
NASDAQ Comp:	5,068.46 (-0.01%)	NYSE Advance/Decline:	1,329 / 1,911
Russell 2000:	1,261.01 (1.18%)	NYSE New Highs/New Lows:	189 / 228
		AAII Bulls/Bears:	27.3% / 24.6%

While the S&P 500 Index had a positive month in May increasing 1.29%, last week the index slid as it returned -0.65% giving June a negative start. The S&P 500 Index hit an all-time closing high of 2,130.82 on May 21, 2015, but stocks have had a slight decline in the following two weeks. Monday showed positive economic news with April construction spending, April personal income and May ISM manufacturing numbers increasing and beating expectations. The S&P 500 Index advanced 0.22%. With Greek debt concerns pushing European stocks down sharply, the S&P 500 Index declined at the open on Tuesday. Stocks pushed their way back up during the trading day, but faded again to close just below even as the index lost 10 bps for the day. Wednesday brought a modest gain of 0.23% with telecommunication services and consumer discretionary sectors leading the push upward while utilities and energy pushed into negative territory, lagging the other sectors. Thursday received positive economic news in US initial jobless claims which came in at 276K. This was lower than the previous week's 282K and slightly better than the consensus estimate of 278K. Thursday also brought the worst performance of the week with all sectors in negative territory as the IMF cut their US GDP growth forecast. The S&P 500 Index returned -0.86% with materials, energy and industrials leading the decline. May nonfarm payroll numbers reported much higher than expected on Friday, putting pressure on stocks at the open with concern of a shortening time horizon on a possible rate hike. The Index declined further on Friday returning -0.14%. Crude oil closed the week just under $59 a barrel, decreasing 3.82% from the 2015 closing high price of $61.26 a barrel set on Tuesday, June 2. Seven of the ten economic sectors had negative performance for the week. The financials sector was the best performing sector with a 0.82% return. The consumer discretionary and industrials sectors followed with 0.29% and 0.07% returns, respectively. The utilities sector's -4.08% return was the worst performance of all the sectors and was followed by consumer staples and telecommunication services which returned -2.48% and -2.36%, respectively. **Zions Bancorporation**, a bank holding company, turned in the best performance in the S&P 500 Index with a 10.25% gain. The stock opened up and increased over 6.5% on Tuesday from the previous night's announcement of a corporate restructuring. The next two best performers were **PVH Corp.** and **Wynn Resorts Ltd.** with returns of 9.36% and 8.39%, respectively.