US Economy and Credit Markets

3 Mo. T-Bill:	0.29 (-02 bps)	GNMA (30 Yr) 6% Coupon:	114-14/32 (0.63%)
6 Mo. T-Bill:	0.45 (-01 bps)	Duration:	3.94 years
1 Yr. T-Bill:	0.65 (+02 bps)	Bond Buyer 40 Yield:	3.94 (+05 bps)
2 Yr. T-Note:	0.84 (+01 bps)	Crude Oil Futures:	50.32 (+0.51)
3 Yr. T-Note:	1.00 (+03 bps)	Gold Spot:	1,252.08 (-5.00)
5 Yr. T-Note:	1.29 (+03 bps)	Merrill Lynch High Yield Indices:	
10 Yr. T-Note:	1.80 (+08 bps)	U.S. High Yield:	6.47% (-03 bps)
30 Yr. T-Bond:	2.56 (+11 bps)	BB:	4.83% (unch.)
		B:	6.52% (-02 bps)

Treasury prices dropped slightly over the course of the week on a more hawkish tone from the Federal Reserve and mixed economic reports from China. After a bond market holiday on Monday that saw the equity markets rise, Treasuries dropped slightly on Tuesday as all asset classes sold off with a plunge in the equity markets. Analysts attributed the drop to significant deleveraging of risk-parity funds. Treasury prices remained flat on Wednesday as the Fed released the minutes from its September meeting. The minutes revealed that three officials voted to raise interest rates and showed that there were worries about stagnant inflation and if the economy was at full employment. The tone suggested that there would still likely be one rate hike this year but the pace of further hikes would be slow. On Thursday, poor trade data from China led investors to flee equities and seek the perceived safety of government debt, causing Treasury prices to rebound. However, Treasury prices retreated again on Friday as price indexes from China suggested the country may be emerging from deflation. Major economic reports (and related consensus forecasts) for the upcoming week include: Monday: October Empire Manufacturing (1.00), September Industrial Production (0.2% MoM); Tuesday: September CPI (0.3% MoM, 1.5% YoY); Wednesday: October 14 MBA Mortgage Applications, September Housing Starts (1.174M); Friday: October 15 Initial Jobless Claims (250,000), September Existing Home Sales (5.35M, 0.4% MoM), September Leading Index (0.2%).

US Equities

Weekly Index Performance:			Market Indicators:	
DJIA:	18,138.38	(-0.56%)	Strong Sectors:	Utilities, Real Estate, Telecom
S&P 500:	2,132.98	(-0.95%)		
S&P Midcap:	1,519.82	(-0.90%)	Weak Sectors:	Health Care, Materials, Energy
S&P Smallcap:	736.68	(-1.64%)		
NASDAQ Comp:	5,214.16	(-1.48%)	NYSE Advance/Decline:	1,003/ 2,132
Russell 2000:	1,212.41	(-1.94%)	NYSE New Highs/New Lows:	202/ 79
			AAII Bulls/Bears:	25.5% / 33.7%

Stocks sold-off as a slew of disappointing earnings reports damped optimism for a rebound in third-quarter profits. In addition to a weak start to earnings season, a higher likelihood of a Fed rate increase also led investors to sell riskier assets. Fed fund futures, contracts that investors use to speculate on interest rate movements, indicate there is a 64% chance of a December rate hike, up from 59% at the beginning of the month. Economic data for the week mostly supported the case for a December rate hike, as retail sales advanced by 0.6% in September, the best reading in the last 3 months, while wholesaler prices increased by more than expected. **Alcoa Inc.** unofficially kicked off earnings season on Tuesday with disappointing results within the downstream business, which is soon to be spun-off, causing the material name to fall by the most in seven years. **Fastenal Co**., one of the largest industrial distributors, did not fare much better as shares fell nearly 10% for the week. Management noted in the earnings call that they have yet to see the industrial economy bottoming. **Illumina Inc.** lost over 20% of its value for the week after pre-announcing disappointing revenue guidance for the company's genetic-sequencing machines. **JP Morgan Chase & Co.** and **Citigroup Inc.** reported better-than-expected results as fixed-income, currency, and commodities trading benefited from higher volatility. John Stumpf resigned from his role as chief executive officer for **Wells Fargo & Co.** amid the public outcry over fake accounts being opened. Looking ahead to earnings season, S&P 500 earnings are expected to slip for the sixth consecutive quarter. Superior stock selection will remain key as underlying fundamentals of many corporations diverge.