US Economy and Credit Markets

Yields and Weekly Changes:

3 Mo. T-Bill:	0.29 (-02 bps)	GNMA (30 Yr) 6% Coupon:	112-13/32 (2.19%)
6 Mo. T-Bill:	0.44 (+01 bps)	Duration:	3.75 years
1 Yr. T-Bill:	0.53 (-01 bps)	Bond Buyer 40 Yield:	4.03 (-11 bps)
2 Yr. T-Note:	0.72 (-05 bps)	Crude Oil Futures:	30.89 (-2.73)
3 Yr. T-Note:	0.90 (-07 bps)	Gold Futures:	1157.80 (+41.40)
5 Yr. T-Note:	1.24 (-09 bps)	Merrill Lynch High Yield Indices:	
10 Yr. T-Note:	1.84 (-08 bps)	U.S. High Yield:	9.58 % (+28 bps)
30 Yr. T-Bond:	2.67 (-07 bps)	BB:	6.71 % (+19 bps)
		B:	9.67 % (+08 bps)

Bond prices rose last week; continuing their gains since the beginning of the year. Last week was a busy week of economic reports and Monday's ISM Manufacturing Index report and US December Personal Income numbers were mixed. While the ISM Manufacturing Index rose to 48.2 in January, it was below the consensus expected level of 48.4 (a reading of less than 50 is indicative of contraction). Personal income increased 0.3% in December vs. the consensus expected a gain of 0.2% and personal consumption was unchanged in December vs. the consensus expected a gain of 0.1%. Over the past year, personal income is up 4.2% while spending is up 3.2%. The PCE deflator, a favored measure of inflation for the Federal Reserve, was down 0.1% in December and it continues to be held down by depressed energy prices. Wednesday's ISM Non-Manufacturing Index declined to 53.5 in January which was below expectations of 55.1. It was also below December's 55.8 reading. The non-manufacturing sector makes up the larger portion of the US economy (vs. manufacturing) and the reading above 50 reflects continued expansion in this sector. Thursday's Nonfarm Productivity reading showed a 3% annual decline vs. expectations for a 2% decline and on Friday, the Nonfarm Payroll report showed an increase of 151K, which was well below expectations of a 190K payroll increase. However, at 4.9%, it did measure unemployment rate falling below the 5% December reading. Major economic reports (and related consensus forecasts) for the upcoming week include: Tuesday: December Wholesale Inventories (-.1%); Wednesday: Prior week MBA Mortgage Applications; Thursday: Prior week Initial Jobless Claims (280K, -5K); Friday: January Retail Sales (.1%, +.2%) and the February preliminary University of Michigan sentiment reading (92.5, +.5).

US Equities

Weekly Index Performance:		Market Indicators:	
DJIA:	16,204.97 (-1.54%)	Strong Sectors:	Materials, Utilities, Telecommunication Services
S&P 500:	1,880.05 (-3.04%)		
S&P Midcap:	1,279.32 (-2.89%)	Weak Sectors:	Consumer Discretionary, Information Tech, Financials
S&P Smallcap:	605.16 (-3.91%)		
NASDAQ Comp:	4,363.14 (-5.36%)	NYSE Advance/Decline:	1,072 / 2,133
Russell 2000:	985.62 (-4.78%)	NYSE New Highs/New Lows:	197 / 378
		AAII Bulls/Bears:	27.6% / 34.7%

The S&P 500 index lost ground last week returning -3.04%, the second worst week of 2016. Giving back the gains it achieved the prior two weeks, the S&P 500 Index has continued its decline showing a -7.85% YTD return for 2016. Stocks opened lower on Monday as China concerns added downward pressure. Global outlook comments from Fed Vice Chair Stanley Fischer helped the S&P 500 Index climb back throughout the day to end at a 4 basis point loss. Stocks once again opened lower on Tuesday. The S&P 500 Index declined most of the trading day returning -1.87% with energy stocks leading the way down as oil closed below $30 a barrel. Wednesday morning brought positive ADP employment data, but volatility set in as the index had an early steep decline. Stocks climbed back later following the rally in oil as energy and material stocks led the way with the S&P 500 Index returning 0.53%. Stocks traded within a range on Thursday and returned 17 basis points. Economic data showed lower than expected durable goods orders and slightly higher jobless numbers. US initial jobless claims of 285K were higher than the consensus estimate of 278K and higher than the previous week's 278K. Friday brought another big decline as the S&P 500 Index returned -1.84%. The US equities decline was led by information technology and consumer discretionary stocks. Economic data reported a lower than expected unemployment rate of 4.9%, but also lower than expected nonfarm payroll numbers. Crude oil closed the week at $30.89 a barrel, a decline of 8.12% from the previous week's close. Seven of the ten economic sectors had negative performance for the week. The materials sector was the best performing sector with a 4.77% return. The utilities and telecommunications services sectors followed with 2.57% and 2.06% returns, respectively. The consumer discretionary sector's -5.41% return was the worst performance of all the sectors and was followed by information technology and financials which returned -5.25% and -3.54%, respectively. **Michael Kors Holdings Limited**, a luxury accessories designer, turned in the best performance in the S&P 500 Index with a 29.92% gain. The stock jumped 23.9% on Tuesday on the release of positive earnings news. The next two best performers were **Freeport-McMoRan Inc.** and **Newmont Mining Corp.** with returns of 23.48% and 22.29%, respectively.