US Economy and Credit Markets

Yields and Weekly Changes:

3 Mo. T-Bill:	0.25 (-04 bps)	GNMA (30 Yr) 6% Coupon:	111-25/32 (2.09%)
6 Mo. T-Bill:	0.41 (unch.)	Duration:	3.82 years
1 Yr. T-Bill:	0.54 (-04 bps)	Bond Buyer 40 Yield:	3.81 (-07 bps)
2 Yr. T-Note:	0.73 (-05 bps)	Crude Oil Futures:	49.07 (+0.45)
3 Yr. T-Note:	0.88 (-04 bps)	Gold Spot:	1,273.40 (+33.30)
5 Yr. T-Note:	1.17 (-06 bps)	Merrill Lynch High Yield Indices:	
10 Yr. T-Note:	1.64 (-06 bps)	U.S. High Yield:	7.50% (-15 bps)
30 Yr. T-Bond:	2.45 (-06 bps)	BB:	5.33% (-09 bps)
		B:	7.51% (-16 bps)

US government bond yields remain at historic lows as the United States has a relative yield which is greater than many of its European counterparts and economic conditions that are stable but leave many investors anxious about the state of global, and domestic, growth. The ECB extended its debt purchase program last week to include the purchase of corporate bonds. It is purchasing 80 billion Euros a month in bonds. Last week's Tuesday Nonfarm Productivity report showed an annualized decline of .6% for the first quarter of 2016. This was revised up from the previous month's estimate for a decline of 1%. Compensation per hour was up 4.2% at an annual rate, versus 2.6% in the prior year, and productivity was up at a 1.3% annualized rate in the first quarter. On Thursday, the June 4th Labor Department data on jobless claims reported an unexpected decrease in first time jobless claims and also reported continuing claims falling to 2.1 million. While the rate at which employers add workers fell for April, jobless claims are still very low as employers have been holding onto their existing workers. Next week will be a busy week of economic reports and includes the June Federal Reserve meeting with the expectation of no change to the current interest rates. Major economic reports (and related consensus forecasts) for the upcoming week include: Tuesday: May Retail Sales (.3%, -1%); Wednesday: June 10th MBA Mortgage Applications, May Final PPI demand (.3%, +.1%), June Empire Manufacturing report (-4.95), May Industrial Production (-.2%, -.9%) and the FOMC Rate Decision (.25%-.5%, unch.); Thursday: June 11th Initial Jobless Claims (270k, +6K) and May CPI (.3%, -.1%); Friday: May housing starts (1150K, -22K).

US Equities

Weekly Index Performance:		Market Indicators:	
DJIA:	17,865.34 (0.35%)	Strong Sectors:	Telecommunication Services, Energy, Consumer Staples
S&P 500:	2,096.07 (-0.11%)		
S&P Midcap:	1,499.07 (-0.08%)	Weak Sectors:	Financials, Consumer Disc., Health Care
S&P Smallcap:	712.58 (0.45%)		
NASDAQ Comp:	4,894.55 (-0.95%)	NYSE Advance/Decline:	1,576 / 1,589
Russell 2000:	1,163.449 (0.01%)	NYSE New Highs/New Lows:	513 / 37
		AAII Bulls/Bears:	27.8% / 27.8%

Last week the S&P 500 Index rallied through mid-week, but cut those gains Thursday and Friday. The index posted a -0.44% return for the week and is up 0.02%% through the first part of June. The index has gained 3.59% since the beginning of the year. Monday opened with stocks higher as investors search for quality assets, against an uncertain global economic backdrop. Commodities entered a bull market as crude oil closed at a 10-month high. The rally in stock continued through Wednesday with the S&P 500 closing near an all-time high. Bond yields continued to decline as the ECB began purchasing corporate bonds on Wednesday. The global credit rally indicates investors are not concerned about a weakening US labor market. Global stocks rose to near record levels of 2016 as commodities continued to push into bull market territory. Uncertainty on multiple fronts caused increased volatility through the end of last week. Stocks and crude oil declined while the dollar rallied as investors brace for slower global growth and a possible exit by Britain from the European Union. The latest poll favoring a "Brexit" caused bank and energy stocks to decline though the end of the session on Friday. The CBOE Volatility Index climbed 16% to 17.03 on Friday as US Treasury yields fell to a 3-year low. Oil closed the week at $48.88 a barrel, increasing 0.53% from the previous week. Six of the ten economic sectors had positive performance for the week. The telecomm sector was the best performing sector with a 2.78 % return. The energy and consumer staples sectors followed with 1.43% and 1.05% returns, respectively. The financials sector -1.50% return was the worst performance of all the sectors and was followed by consumer discretionary and health care which returned -0.84% and -0.78%, respectively. H&R Block, a tax services provider, turned in the best performance in the S&P 500 Index with a 11.87% gain. The stock jumped over 4.3% on Thursday's earning release. The next two best performers were Transocean and Helmerich & Payne Inc. with returns of 10.37% and 10.17%, respectively.