US Economy and Credit Markets

Yields and Weekly Changes:

3 Mo. T-Bill:	0.32 (+02 bps)	GNMA (30 Yr) 6% Coupon:	114-12/32 (1.36%)
6 Mo. T-Bill:	0.46 (+03 bps)	Duration:	3.90 years
1 Yr. T-Bill:	0.60 (+02 bps)	Bond Buyer 40 Yield:	3.74 (-01 bps)
2 Yr. T-Note:	0.84 (+09 bps)	Crude Oil Futures:	47.64 (+0.88)
3 Yr. T-Note:	0.95 (+08 bps)	Gold Spot:	1,321.50 (-18.9)
5 Yr. T-Note:	1.23 (+06 bps)	Merrill Lynch High Yield Indices:	
10 Yr. T-Note:	1.62 (+04 bps)	U.S. High Yield:	6.75% (-03 bps)
30 Yr. T-Bond:	2.29 (unch.)	BB:	4.82% (-03 bps)
		B:	6.71% (-03 bps)

Yields rose last week after Federal Reserve Chairwoman Janet Yellen signaled that the central bank will gradually raise short-term interest rates in the coming weeks or months ahead. New home sales surged on Tuesday reaching the highest reading in almost nine years. The spike in sales was primarily led by sales in the south and northeast. Sales of previously owned homes fell in July for the first time in four months on Wednesday, as supply constraints and high prices deterred buyers. Jobless claims fell to the lowest level in five weeks on Thursday, as employers continue to retain employees. New orders for durable goods in July beat consensus expectations after showing the largest single-month decline in two years in June. The rise in overall orders was led by aircraft, computers, and electronic products. Real GDP was revised to a 1.1% annual growth rate in Q2 from a prior estimate of 1.2% on Friday, matching consensus expectations. The largest downward revisions were for net exports, government purchases, and inventories, which offset upward revisions for business R&D and consumer spending. Major economic reports (and related consensus forecasts) for the upcoming week include: Monday: July Personal Income (0.4%), July Personal Income (0.3%); Tuesday: Aug Consumer Confidence Index (97.0); Wednesday: Aug 26th MBA Mortgage Applications, Aug ADP Employment Change (175k), Aug Chicago Purchasing Manager (54.0); Thursday: Aug 27th Initial Jobless Claims (265k), Aug Markit US Manufacturing PMI (52.1), Aug ISM Manufacturing (52.0); Friday: July Trade Balance (-$43.0b), Aug Change in Nonfarm Payrolls (185k), Aug Unemployment Rate (4.8%), July Factory Orders (2.0%).

US Equities

Weekly Index Performance:		Market Indicators:	
DJIA:	18395.40 (-0.85%)	Strong Sectors:	Financials, Materials Industrials
S&P 500:	2169.04 (-0.67%)		
S&P Midcap:	1559.67 (-0.18%)	Weak Sectors:	Energy, Health Care Utilities
S&P Smallcap:	740.72 (0.42%)		
NASDAQ Comp:	5218.91 (-0.35%)	NYSE Advance/Decline:	1,413 / 1,707
Russell 2000:	1238.03 (0.11%)	NYSE New Highs/New Lows:	659 / 11
		AAII Bulls/Bears:	29.4% / 29.6%

Equity markets traded down slightly last week, the S&P 500 Index lost 0.67% as the odds of a Fed interest rate raise grew. As of a week ago, Bloomberg calculated the odds of a Fed interest rate hike by December of 51.1%, those odds closed at 62.9% Friday. Fed Chair Janet Yellen started Friday off with a bullish economic assessment, which was quickly followed by Vice Chair Staley Fisher mentioning a possible September hike which sent the equity markets down slightly. All told, while higher rates mean more expensive borrowing, having the Fed Chair confirm a strengthening economy is a long term positive for equities. Odds of higher interest rates traditionally sends the Financial sector higher, banking names in particular and this week was no exception. The S&P 500 Financial Index was up 0.37% while the S&P 500 Banking Index was up over 1%. This year there have been two pronounced themes in equity markets that continued this week. The first has been smaller caps outperforming larger caps, the second value names outperforming growth names. This week the larger cap S&P 500 Index had a -0.7% return while the mid and small cap S&P 1000 had a 0.0% return. Year-to-date the S&P 500 Index is up 7.7% compared to an S&P 1000 Index return of 12.8%. Further, the S&P 500 Growth Index had a return of -0.7% this week, while the S&P 500 Value Index had a -0.6% return. Year-to-date the S&P 500 Growth Index has a return of 6.1% while the S&P 500 Value Index has a return of 9.3%. If these macro trends hold for 2016 it will be the first time that small and mid best large since 2012, and the first time value beats growth since 2013. Turning to company specific news, **Best Buy Co Inc.** saw its shares soar over 20% on news that they beat revenue and earnings guidance because of strong same store sales comps and a surge in enterprise spending. Not all news was good as **Dollar General Corp.** fell nearly 17% as earnings and revenue missed expectations and worry on what effect higher wages will have on profitability. Looking ahead to next week, there are several potential market moving economic data points that are expected to be released. They include: Annualized GDP, University of Michigan Consumer Confidence, Dallas Fed Manufacturing, Chicago Purchasing Manager and Unemployment numbers.