

US Economy and Credit Markets			
3 Mo. T-Bill:	0.51 (-02 bps)	GNMA (30 Yr) 6% Coupon:	113-09/32 (1.88%)
6 Mo. T-Bill:	0.66 (+02 bps)	Duration:	4.21 years
1 Yr. T-Bill:	0.80 (+01 bps)	Bond Buyer 40 Yield:	4.27 (+02 bps)
2 Yr. T-Note:	1.19 (unch.)	Crude Oil Futures:	53.40 (+0.46)
3 Yr. T-Note:	1.47 (unch.)	Gold Spot:	1,234.60 (+0.98)
5 Yr. T-Note:	1.90 (+02 bps)	Merrill Lynch High Yield Indices:	
10 Yr. T-Note:	2.42 (+01 bps)	U.S. High Yield:	6.13% (-03 bps)
30 Yr. T-Bond:	3.02 (+02 bps)	BB:	4.81% (unch.)
		B:	6.15% (-03 bps)

Treasury prices dropped slightly over the course of the week as investors speculated that the Federal Reserve is more likely to raise rates during the March meeting than previously thought. Earlier in the month the Fed sounded dovish on the possibility of raising interest rates in March, but more recent comments by Fed officials have suggested that a rate hike in March is still on the table, leading Treasury prices to fall during the first half of the week. Fed Chairwoman Janet Yellen said that the risks of waiting too long to raise rates outweighed the risks of a hike too soon. The consumer price index reading of 2.5% showed strong inflation and was well ahead of the Fed's target of 2% and was widely believed to strengthen the Fed's case to raise rates. Treasury prices decreased the most on the long end of the curve as indicators of long-term inflation expectations have been rising. Philadelphia Fed President Patrick Harker also said that three rate hikes were likely in 2017 if the economy remains on track. Altogether, this led to an increase in the market implied probability of a rate hike in March of 34%, which was up moderately from 28% a week ago. However, Treasury prices did rebound in the 2nd half of the week as the market took a risk-off approach and the equity market cooled off on economic data that was in line with expectations. Major economic reports (and related consensus forecasts) for the upcoming holiday-shortened week include: Tuesday: February Prelim. Markit US Manufacturing PMI (55.2); Wednesday: February 17 MBA Mortgage Applications, January Existing Home Sales (5.55M); Thursday: February 18 Initial Jobless Claims (240,000); Friday: January New Home Sales (573,000), February Final University of Michigan Sentiment (96.0).

US Equities			
Weekly Index Performance:		Market Indicators:	
DJIA:	20,624.05 (+1.88%)	Strong Sectors:	Financials, Health Care, Information Technology
S&P 500:	2,351.16 (+1.60%)	Weak Sectors:	Energy, Telecom, Materials
S&P Midcap:	1,734.76 (+0.84%)	NYSE Advance/Decline:	1,606 / 1,501
S&P Smallcap:	855.10 (+0.67%)	NYSE New Highs/New Lows:	504 / 33
NASDAQ Comp:	5,838.58 (+1.88%)	AAll Bulls/Bears:	33.1% / 32.4%
Russell 2000:	1,399.86 (+0.82%)		

Strong economic data, positive commentary from Federal Reserve Chairwoman Janet Yellen, and robust corporate profits led the S&P 500 higher for the week, marking the fourth consecutive weekly gain. Janet Yellen signaled the central bank might raise interest rates in March, citing rising inflation and a strong job market. Wholesale prices increased by 0.6% in January, the largest monthly increase since September 2012, led by an increase in gasoline prices. Consumer data points remained strong as retail sales advanced 0.4% versus consensus of 0.1%, and U.S. housing starts exceeded expectations. With earnings season nearing completion, the S&P 500 is on pace to grow by 5% for the 4th quarter of 2016. To date, information technology and financials grew earnings by 11.2% and 9.1% in the 4th quarter, while energy remained a drag with earnings down by 9.3%. However, energy earnings are expected to recover and be incremental to S&P 500 profits in 2017. In stock specific news, **Deere & Co.** continued to see weak demand for its capital equipment for the quarter, but did raise 2017 sales guidance for farm and construction machinery as management sees end markets stabilizing after a three-year slide. **CBS Corp.** saw advertising revenue fall by 2.8% due to fewer Thursday Night Football games and disappointing ratings for NFL games. **Unilever N.V.** spurned a \$143 billion takeover offer from **Kraft Heinz Co.** that would be the largest-ever acquisition for a food or beverage stock. Both stocks jumped by more than 10% on Friday as further consolidation among consumer-goods companies could result in further cost cutting and shareholder value. Looking ahead to next week, a number of retailers will report earnings including **Macy's Inc.**, **Nordstrom, Inc.**, and **Wal-Mart Stores**. Economic data is relatively light for the holiday-shortened week.

