

US Economy and Credit Markets			
Yields and Weekly Changes:			
3 Mo. T-Bill:	0.74 (+05 bps)	GNMA (30 Yr) 6% Coupon:	113-07/32 (1.98%)
6 Mo. T-Bill:	0.88 (+06 bps)	Duration:	4.24 years
1 Yr. T-Bill:	1.03 (+07 bps)	Bond Buyer 40 Yield:	4.35 (+04 bps)
2 Yr. T-Note:	1.35 (+05 bps)	Crude Oil Futures:	48.49 (-4.84)
3 Yr. T-Note:	1.66 (+08 bps)	Gold Spot:	1,201.40 (-25.10)
5 Yr. T-Note:	2.10 (+09 bps)	Merrill Lynch High Yield Indices:	
10 Yr. T-Note:	2.58 (+10 bps)	U.S. High Yield:	6.30% (+28 bps)
30 Yr. T-Bond:	3.17 (+09 bps)	BB:	5.02% (+21 bps)
		B:	6.28% (+27 bps)

On Wednesday, the much ballyhooed March Federal Reserve meeting will occur and the implied probability of a rate increase has rocketed to 100% based upon the future markets. Yields have risen as the perceived likelihood of a more aggressive Federal Reserve is being priced in. Correspondingly, gold sold off last week as did oil; but for very different reasons. Oil tumbled as a result of domestic inventory builds which have markets concerned that any OPEC cuts will be offset by an increase in shale production. US crude stockpiles have increased for four straight weeks and the price of oil has now returned to where it was when OPEC initially agreed to an output cut. Tuesday of last week the US trade deficit matched expectations with imports outpacing exports. On Wednesday, ADP showed an increase in February payrolls and then on Friday the nonfarm payroll numbers were reported. For the previous month the report showed an increase of 235,000 jobs as well as a small increase to earnings. The strength of this report largely put to bed any remaining concerns that the Federal Reserve may not cut rates next week. In fact, on the strength of February job creation, the US unemployment rate is now 4.7% and below the Fed's long-term target of 4.8%. Major economic reports (and related consensus forecasts) for the upcoming week include: Tuesday: February PPI Demand (.1%, -.5%); Wednesday: prior week MBA Mortgage Applications, March Empire Manufacturing (15, -3.7), February Retail Sales (.1%, -.3%) and Federal Reserve Rate Decision (upper bound 1%, lower bound .75%); Thursday: February Housing Starts and prior week Initial Jobless Claims (241K, -2K); Friday: February Industrial Production (.2%, +.5%) and the February Leading Index (.4%, -.2%).

US Equities			
Weekly Index Performance:		Market Indicators:	
DJIA:	20,902.98 (-0.40%)	Strong Sectors:	Information Technology,
S&P 500:	2,372.60 (-0.40%)		Health Care, Cons Staples
S&P Midcap:	1,710.90 (-1.59%)	Weak Sectors:	Real Estate, Energy,
S&P Smallcap:	830.27 (-2.21%)		Materials
NASDAQ Comp:	5,861.73 (-0.14%)	NYSE Advance/Decline:	678 / 2,426
Russell 2000:	1,365.27 (-2.04%)	NYSE New Highs/New Lows:	162 / 169
		AAll Bulls/Bears:	30.0% / 46.5%

Last week the S&P 500 Index had its worst week in 2017 returning -0.40%. Though equities were down, the index has had a great start to the year being up 6.42% YTD. The real estate and energy sectors led the decline with most sectors in negative territory. On Wednesday crude oil dropped \$2.86 per barrel or -5.38%, the largest one day percentage decline since February 2, 2016. This sharp drop came on increased inventories as the U.S. Energy Department stated that oil reserves increased by 8 million barrels the previous week. Crude declined 9.08% for the week. Economic news last week showed factory and durable goods orders were up more than expected. The ADP employment data showed an increase of 298k private nonfarm payrolls last month. The U.S. Bureau of Labor Statistics also reported positive nonfarm payrolls for the month. The US initial jobless claims of 243K were higher than the consensus estimate of 238K and the previous week's 223K. As the jobs market continues to strengthen, investors await next week's Federal Open Market Committee meeting with the high expectation of an interest rate increase. Nine of the eleven economic sectors had negative performance for the week with the information technology sector showing the best performance returning 0.55%. **H&R Block Inc.**, a provider of financial products and tax services, had the best performance in the S&P 500 Index for the week with a 14.16% return. The consumer discretionary stock jumped 14.88% on Wednesday after providing a positive update on the 2017 tax season by claiming an increase in market share. **Incyte Corp.**, a biopharmaceutical company that focuses on drugs that inhibit enzymes related to cancer, diabetes and other diseases, jumped 8.13% Friday on reports that **Gilead Science Inc.** was close to an agreement to acquire them. **Signet Jewelers Ltd.**, a jewelry and watch retail company climbed 8.73% on Thursday after reporting better than expected earnings. This week will bring earnings news from **Oracle Corp.**, **Adobe Systems Inc.**, **Dollar General Corp.** and others.