

US Economy and Credit Markets			
3 Mo. T-Bill:	0.90 (+03 bps)	GNMA (30 Yr) 6% Coupon:	112-26/32 (2.08%)
6 Mo. T-Bill:	1.01 (unch.)	Duration:	4.17 years
1 Yr. T-Bill:	1.09 (-01 bps)	Bond Buyer 40 Yield:	4.12 (-06 bps)
2 Yr. T-Note:	1.27 (-02 bps)	Crude Oil Futures:	50.33 (+2.46)
3 Yr. T-Note:	1.45 (-04 bps)	Gold Spot:	1253.60 (+25.90)
5 Yr. T-Note:	1.78 (-07 bps)	Merrill Lynch High Yield Indices:	
10 Yr. T-Note:	2.24 (-09 bps)	U.S. High Yield:	6.01% (-05 bps)
30 Yr. T-Bond:	2.90 (-09 bps)	BB:	4.60% (-05 bps)
		B:	6.09% (-07 bps)

Bond prices largely rose last week as political disquiet had an impact on investor confidence regarding the President's ability to continue pushing his agenda subsequent to the removal of FBI Director James Comey. Deputy Attorney General Rod Rosenstein appointed a special counsel to probe Trump's campaign, and any potential Russian interference, which diminishes hope for a quick resolution of this issue. For the week oil was sharply higher ahead of next week's OPEC meeting in Vienna and while Saudi Arabia has met its production quota production in the US continues unabated. Last Tuesday, housing starts were shown to decline 2.6% in April, below the consensus expectations but starts are up 0.7% versus a year ago. Multi-unit starts are usually volatile from month to month and were entirely responsible for the April decline. Industrial production increased 1% in April, ahead of consensus expectations, as auto production was up 5%. "Core" industrial production, excludes autos, was up .7%. On Thursday, Initial Jobless Claims were slightly higher but the overall unemployment rate is still at a historically low level of 4.4%. Rounding out the week was the Conference Board US Leading Index which rose .3% for April, slightly below consensus expectations. This was the seventh consecutive month of the index rising. Major economic reports (related consensus forecasts; prior data) for the upcoming week include Tuesday: April New Home Sales (610K, 621K); Wednesday: May 19 MBA Mortgage Applications and April Existing Home Sales (5.65M, 5.71M); Thursday: May 20 Initial Jobless Claims (238K, 232K); Friday: University of Michigan May sentiment (97.5, 97.7).

US Equities			
Weekly Index Performance:		Market Indicators:	
DJIA:	20,804.84 (-0.32%)	Strong Sectors:	Real Estate, Consumer Staples, Utilities
S&P 500:	2,381.73 (-0.32%)	Weak Sectors:	Financials, Consumer Discretionary, Info Tech
S&P Midcap:	1,712.08 (-0.39%)	NYSE Advance/Decline:	1,432 / 1,655
S&P Smallcap:	828.12 (-1.22%)	NYSE New Highs/New Lows:	299 / 155
NASDAQ Comp:	6,083.70 (-0.55%)	AAll Bulls/Bears:	23.9% / 34.3%
Russell 2000:	1,367.33 (-1.09%)		

After a mid-week plunge, stocks ended a turbulent week lower as investors weighed another political setback for the Trump administration versus continued strong corporate fundamentals. The sell-off on Wednesday was driven by reports that President Trump had purportedly asked then-FBI Director James Comey to drop the investigation into former national security advisor Michael Flynn. Popular reflation trades, which have been unwinding in 2017, dropped further on Wednesday as investors discounted further the depth of tax cuts, infrastructure spending, and regulation reform. While Trump's time in the White House continues to be tumultuous, corporate profits are growing by the fastest pace since the 3rd quarter 2011. **Deere & Co**, one of the last firms to report, jumped 7.3% after announcing strong results due to robust demand from Latin America and cost cuts, which helped margins. **Cisco Systems** shares fell after providing disappointing guidance amid a shift towards cheaper, software-based networks. Shares of **McKesson** gained after guiding above the street for fiscal year 2018 as organic growth offset some of the pressure from weak drug pricing. Looking ahead to next week, major events will be Thursday's OPEC meeting, the release of April's new and existing home sales, and the second reading of first quarter GDP. Looking ahead longer term, the market tends to drift with corporate profits. Fundamentals seem to be on track as the S&P 500 grew earnings by 13.9% in the quarter, with 95% of names reporting.

