

US Economy and Credit Markets			
Yields and Weekly Changes:			
3 Mo. T-Bill:	1.00 (unch.)	GNMA (30 Yr) 6% Coupon:	113-07/32 (1.97%)
6 Mo. T-Bill:	1.11 (unch.)	Duration:	4.11 years
1 Yr. T-Bill:	1.19 (unch.)	Bond Buyer 40 Yield:	4.16 (+11 bps)
2 Yr. T-Note:	1.32 (-02 bps)	Crude Oil Futures:	44.74 (-1.09)
3 Yr. T-Note:	1.47 (-01 bps)	Gold Spot:	1,253.73 (-13.03)
5 Yr. T-Note:	1.74 (-02 bps)	Merrill Lynch High Yield Indices:	
10 Yr. T-Note:	2.15 (-05 bps)	U.S. High Yield:	6.00% (-01 bps)
30 Yr. T-Bond:	2.78 (-08 bps)	BB:	4.53% (-02 bps)
		B:	6.12% (unch.)

Treasuries rose during the week after it was announced on Wednesday that the Consumer Price Index (CPI) fell 0.1% in May. For the trailing twelve months, consumer prices rose 1.9%, the third straight month of declining annual gains. Excluding food and energy, prices were up 1.7%, which is the lowest level in two years. The sign of slowing inflation sent yields lower as investors expect less purchasing power to be eroded from their fixed-dollar investments. Notably, the yield on the U.S. 10-year Treasury note fell to its lowest level since November 10<sup>th</sup> in the days immediately following the U.S. presidential election. Later on Wednesday, the Federal Reserve raised the target range for the federal funds rate to 1.00% to 1.25%, which was widely expected. On Thursday, Treasuries gave back some of Wednesday's gains as investors expect the Fed to raise rates once more in 2017, despite the recent softness in inflation. At odds is the fact that inflation has slowed despite low unemployment, which could make it more difficult for the Fed to raise rates later this year. However, the Fed still expects the economy to evolve in a manner that will warrant gradual rate increases. In regards to its inflation forecast, the Fed expects inflation to remain below its 2% target in the short term, but to eventually stabilize around its target in the medium term. Major economic reports (related consensus forecasts; prior data) for the upcoming week include Wednesday: June 16 MBA Mortgage Applications (--, 2.8%), May Existing Home Sales (5.55M, 5.57M); Thursday: June 17 Initial Jobless Claims (240K, 237K), May Leading Index (0.4%, 0.3%); Friday: May New Home Sales (591K, 569K), June Markit US Manufacturing PMI (52.9, 52.7).

US Equities			
Weekly Index Performance:		Market Indicators:	
DJIA:	21,384.28 (+0.59%)	Strong Sectors:	Industrials, Utilities, Real Estate
S&P 500:	2,433.15 (+0.12%)	Weak Sectors:	Info Tech, Materials, Consumer Staples
S&P Midcap:	1,753.46 (-0.18%)	NYSE Advance/Decline:	1,490 / 1,581
S&P Smallcap:	852.69 (-1.28%)	NYSE New Highs/New Lows:	351 / 120
NASDAQ Comp:	6,151.76 (-0.88%)	AAll Bulls/Bears:	32.3% / 29.5%
Russell 2000:	1,406.76 (-1.00%)		

Equity markets were mixed for the week as investors digested a well telegraphed rate hike by the Federal Reserve on Wednesday. Among U.S. indices, the Dow Jones Industrial Average Index remained positive for the week, while smaller capitalization indexes lost ground. The NASDAQ 100 Index continued lower for the second consecutive week as investors rotated to other out of favor sectors and a number of cautions analyst reports cast doubt technology stocks could maintain their momentum. In economic news, retail sales declined by 0.3%, the largest decline since January 2016. Consumer prices fell 0.1% in May, leaving many analysts skeptical the Federal Reserve will move aggressively to increase rates. In stock news, **Amazon.com Inc.** agreed to buy **Whole Foods Market Inc.** in an all cash deal for \$13.7 billion. Other grocery stores and big-box retailers with food sales fell on the news of increased competition in an already ultra-competitive market. Before Friday's sell-off, **Kroger Co.**, the largest traditional grocer in the U.S., plunged earlier in the week after lowering guidance due to lower prices, increased wages, and food deflation. Shares of **General Electric Co.** jumped over 4% for the week after long-time CEO Jeff Immelt announced he will be stepping down as CEO. Looking ahead to next week, **Fedex Corp** and technology names **Adobe Systems Inc.** and **Oracle Corp.** are set to report earnings. In addition to earnings announcements, data on new and existing homes sales will be key economic data points.

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