US Economy and Credit Markets

Yields and Weekly Changes:

3 Mo. T-Bill:	2.304 (4.1 bps)	GNMA (30 Yr) 6% Coupon:	105-11/32 (4.34%)
6 Mo. T-Bill:	2.468 (3.4 bps)	Duration:	4.16 years
1 Yr. T-Bill:	2.661 (1.5 bps)	Bond Buyer 40 Yield:	4.28 (+1 bps)
2 Yr. T-Note:	2.904 (5.1 bps)	Crude Oil Futures:	69.12 (-2.22)
3 Yr. T-Note:	2.982 (4.2 bps)	Gold Spot:	1,226.49 (+9.43)
5 Yr. T-Note:	3.046 (3.1 bps)	Merrill Lynch High Yield Indices:	
10 Yr. T-Note:	3.192 (3.1 bps)	U.S. High Yield:	6.78 (01 bps)
30 Yr. T-Bond:	3.376 (4.1 bps)	BB:	5.60 (02 bps)
		B:	7.03 (01 bps)

United States Treasuries yields continue to move higher among Federal Reserve rate increases and a healthy economy. In many of last week's bank earnings reports, the higher yields were seen pressuring bank's ability to grow loans, but credit provisions are low thanks to low unemployment, and a steepening of the yield curve could benefit net interest margins as banks usually borrow short and lend long. Last week saw the release of the Federal Open Market Committee's (FOMC) September 26 notes. In them, emerging market economies were called out as volatile; Chinese equity markets specifically. The U.S. equity markets were praised for strong gains amid rising corporate earnings. Regarding the economy, the committee noted that GDP appeared to be rising in the third quarter at a rate similar to the first half of the year. Labor market conditions continue to strengthen and in last week's economic releases both retail sales and industrial production were seen rising in September. In contrast, home sales and starts both fell in September. Inventory levels are low, and rates rising, which are headwinds at current. However, low unemployment, population growth and higher wages should help to counteract these headwinds. Major economic reports (and related consensus forecasts) for the upcoming week include: Wednesday: October 19 MBA Mortgage Applications (N/A, -7.1%) and September New Home Sales (625k, 629k); Thursday: October 20 Initial Jobless Claims (13k, 210k), September preliminary Wholesale Inventories (0.5%, 1.0%) and September preliminary Durable Goods Orders (-1.5%, 4.4%); Friday: GDP Annualized Q0Q (3.3%, 4.2%) and University of Michigan final October sentiment (99.0, unch.).

US Equities

Weekly Index Performance:		Market Indicators:	
DJIA:	25,444.34 (0.45%)	Strong Sectors:	Consumer Staples,
S&P 500:	2,767.78 (0.04%)		Real Estate, Utilities
S&P Midcap:	1,872.17 (0.06%)	Weak Sectors:	Consumer Discretionary,
S&P Smallcap:	962.06 (-0.34%)		Energy, Materials
NASDAQ Comp:	7,449.03 (-0.64%)	NYSE Advance/Decline:	1,657 / 1,429
Russell 2000:	1,542.04 (-0.29%)	NYSE New Highs/New Lows:	54 / 558
		AAII Bulls/Bears:	33.9% / 35.0%

Following the previous week's 4.07% drop and three straight weeks of declines, the S&P 500 Index broke the trend posting a flat week with a positive 4 basis point return. The index showed volatility but managed to post its second-best day of the year last Tuesday with a 2.15% return. Tuesday's rally was led by technology and health care stocks. The health care sector was buoyed by positive earnings releases from both **Johnson & Johnson** and **UnitedHealth Group Inc**. The index changed direction with a decline of 1.43% on Thursday as the consumer discretionary and the information technology sectors fell the most. Consumer discretionary stocks showed the worst performance for the week while consumer staples, real estate, and utilities climbed as defensive positioning increased. US initial jobless claims of 210K were close to the consensus estimate of 211K and lower than the previous week's 214K. Crude oil prices closed the week at $69.12 per barrel, decreasing 3.11% for the week. **The Interpublic Group of Companies Inc.,** a global advertising and marketing services conglomerate, was the week's best performing stock in the S&P 500 Index returning 15.03%. The stock jumped on Friday after their earnings announcement revealed a 5.4% organic sales increase. **United Rentals Inc.,** an equipment rental company, declined 15.06% last week. The stock declined after their earnings announcement as rental rates appeared to have slowed from July to September. **The Procter & Gamble Company**, a large manufacturer and marketer of consumer products, climbed 11.41% last week. The stock legged up on Friday after releasing earnings which showed larger than expected organic sales growth. Earnings season is underway with over 150 S&P 500 Index companies reporting this week. Companies such as **Amazon.com**, **Microsoft Corp**, **Alphabet Inc.**, **Visa Inc.**, **AT&T Inc.**, **Intel Corp, McDonald's Corp** and many others will report.