

US Economy and Credit Markets			
Yields and Weekly Changes:			
3 Mo. T-Bill:	1.899 (7.4 bps)	GNMA (30 Yr) 6% Coupon:	108-10/32 (3.51%)
6 Mo. T-Bill:	2.043 (2.1 bps)	Duration:	4.00 years
1 Yr. T-Bill:	2.248 (1.8 bps)	Bond Buyer 40 Yield:	3.97 (-2 bps)
2 Yr. T-Note:	2.535 (3.8 bps)	Crude Oil Futures:	70.70 (+0.98)
3 Yr. T-Note:	2.690 (5.7 bps)	Gold Spot:	1,319.30 (+4.80)
5 Yr. T-Note:	2.838 (5.4 bps)	Merrill Lynch High Yield Indices:	
10 Yr. T-Note:	2.970 (2.0 bps)	U.S. High Yield:	6.49 (-3 bps)
30 Yr. T-Bond:	3.104 (-1.8 bps)	BB:	5.31 (-1 bps)
		B:	6.74 (-7 bps)

Last week began with Treasury yields climbing higher as oil prices rallied above \$70 a barrel for the first time since 2014. After President Trump withdrew the U.S. from the Iran nuclear deal, the prospect of new sanctions on oil exports led to concerns that the potentially reduced supply could intensify inflationary pressures and cause the Fed to hike rates more aggressively. On Wednesday, April PPI data came in below consensus, however the benchmark Treasury 10-yr note still closed above 3%. CPI data was released on Thursday and also showed softening prices in April, nudging down longer-dated Treasury yields. The consensus forecast was for a 0.3% increase; however, CPI rose only 0.2%. Average hourly earnings were unchanged in April and prices declined for new and used vehicles. Although producer and consumer prices were more muted than forecast, they are still rising at a healthy pace and the labor market continues to strengthen. The Bloomberg implied probability of four rate hikes this year continues to increase and the 2-yr Treasury note yield is now above 2.5%, a level not seen since August of 2008. Major economic reports (related consensus forecasts, prior data) for the upcoming week include: Tuesday: May Empire Manufacturing (15.0, 15.8), April Advance Retail Sales MoM (0.3%, 0.6%); Wednesday: May 11 MBA Mortgage Applications (N/A, -0.4%), April Housing Starts (1310k, 1319k), April Industrial Production MoM (0.6%, 0.5%); Thursday: May 12 Initial Jobless Claims (215k, 211k), April Leading Index (0.4%, 0.3%).

US Equities			
Weekly Index Performance:		Market Indicators:	
DJIA:	24,831.17 (2.51%)	Strong Sectors:	Energy, Financials, Information Technology
S&P 500:	2,727.72 (2.49%)	Weak Sectors:	Utilities, Consumer Staples
S&P Midcap:	1,939.09 (2.23%)		Real Estate
S&P Smallcap:	986.87 (2.94%)	NYSE Advance/Decline:	2,132 / 953
NASDAQ Comp:	7,402.88 (2.73%)	NYSE New Highs/New Lows:	270 / 154
Russell 2000:	1,606.79 (2.65%)	AAII Bulls/Bears:	33.5% / 25.5%

The S&P 500 posted its first weekly gain in the past three weeks with a 2.49% return and the best weekly gain over the past two months. Investors are more confident that inflation will remain at bay after trade tensions have eased with the rest of the world. The US dollar exhibited a calmer week as it was little changed, while the 10-year treasury steadied under 3%. Volatility is still present in other markets, with oil bouncing off highs not reached since the end of 2014. In turn, energy stocks traded higher to post the best weekly gain in the S&P 500. The group was led by **Occidental Petroleum** and **Devon Energy** which are both involved in exploration and production of crude. The gains in oil were spurred by President Trump's decision to quit the Iran nuclear deal. A bullish feeling fell over the market this week after a plethora of US companies posted quarterly results that beat analyst estimates. The sentiment emanated from executives less cautious feelings concerning inflation, rising global interest rates, and trade wars with foreign countries; specifically China. Foreign relations around the globe seem to be improving every day, but Iran and Syria are still rife with conflict. Emerging stocks rallied around the news of a June 12<sup>th</sup> meeting between Kim Jong Un and President Donald Trump in Singapore. The release of three US prisoners from North Korea to the United States was an outward motion to the world that North Korea is willing to put aside a long held grudge against the West. Looking ahead to next week, the state of the economy will be on display with releases of mortgage, retail sales, and housing data.

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