

US Economy and Credit Markets			
Yields and Weekly Changes:			
3 Mo. T-Bill:	1.940 (3.6 bps)	GNMA (30 Yr) 6% Coupon:	106-28/32 (3.90%)
6 Mo. T-Bill:	2.105 (1.8 bps)	Duration:	3.95 years
1 Yr. T-Bill:	2.303 (4.6 bps)	Bond Buyer 40 Yield:	3.96 (-2 bps)
2 Yr. T-Note:	2.537 (6.5 bps)	Crude Oil Futures:	73.80 (2.52)
3 Yr. T-Note:	2.630 (3.0 bps)	Gold Spot:	1,255.48 (2.88)
5 Yr. T-Note:	2.718 (-3.0 bps)	Merrill Lynch High Yield Indices:	
10 Yr. T-Note:	2.822 (-8.0 bps)	U.S. High Yield:	6.70 (2 bps)
30 Yr. T-Bond:	2.929 (-12.1 bps)	BB:	5.56 (2 bps)
		B:	6.88 (-1 bps)

America celebrated her 242<sup>nd</sup> birthday on Wednesday last week, closing all U.S. financial markets for the day. Despite the shortened week, there were still plenty of fireworks to go around. Treasury yields rose on Monday on the release of a better than expected ISM Manufacturing Index report. The index rose to 60.2 in June, beating the consensus expected estimate of 58.5. The ISM Manufacturing Index has averaged 59.2 through June, which has been the best first-half of the year for the index since 2004. Yields slipped quickly as trading resumed in the back half of the week as the Federal Reserve's minutes from the June meeting indicated the central bank's continued commitment to gradual interest rate increases throughout the rest of this year, but highlighted a number of risks to the U.S. economy like uncertainty in trade policies and weakness in emerging markets. The U.S. unemployment rate ticked up to 4.0% from 3.8% in June as nonfarm payrolls increased 213,000 versus a consensus expected 195,000; treasuries fell further on Friday as a result. The trade war between the United States and China began in earnest last week as \$34 billion in U.S. tariffs on Chinese imported goods kicked in on Friday at midnight. In response, the Chinese government slapped \$34 billion in retaliatory tariffs on American goods being imported to China. Both governments have indicated that additional tariffs may be levied against one another in the coming months. Although the trade war's first rounds have officially been fired, markets were largely unfazed by the news. Major economic reports (related consensus forecasts, prior data) for the upcoming week include: Wednesday: July 6 MBA Mortgage Applications (N/A, -0.5%), June PPI Final Demand MoM (0.2%, 0.5%), and May Final Wholesale Inventories MoM (0.4%, 0.5%); Thursday: June CPI MoM (0.2%, 0.2%) and July 7 Initial Jobless Claims (226k, 231k); Friday: July Preliminary University of Michigan Sentiment (98.0, 98.2).

US Equities			
Weekly Index Performance:		Market Indicators:	
DJIA:	24,456.48 (0.82%)	Strong Sectors:	Health Care, Utilities
S&P 500:	2,759.82 (1.56%)		Telecom
S&P Midcap:	1,989.49 (1.95%)	Weak Sectors:	Materials, Financials
S&P Smallcap:	1,049.94 (3.20%)		Energy
NASDAQ Comp:	7,688.39 (2.29%)	NYSE Advance/Decline:	2,195 / 764
Russell 2000:	1,694.05 (3.12%)	NYSE New Highs/New Lows:	138 / 30
		AAll Bulls/Bears:	27.9% / 39.3%

Domestic equities regained some ground after two weeks of downward pressure. The S&P 500 index returned just over 1.5% last week, bolstered by strong performance in the largest sector, Technology. **Advanced Micro Devices** and **Twitter Inc.** were the big winners in the sector. Large and mega-cap stocks lagged their smaller peers as the S&P MidCap 400 index and SmallCap 600 index returned about 2% and 3%, respectively. The S&P 500 has now returned 4.3% for the year, lagging the S&P MidCap 400 with 5.5% and the S&P Small Cap 600 at 12.9%. Some of the outperformance from mid and small-caps can be attributed to the idea smaller names tend to have more domestic sales and could be more protected from escalating trade risks than large multi-national names. The US trade war continues to draw interest from the global and domestic perspective. Last week, tariffs on the initial \$34b of Chinese imports, which President Donald Trump announced back in April, went into effect. Toward the end of last week, President Trump threatened to expand tariffs on every Chinese import. **Biogen Inc.** was the best performing stock in the index after soaring 23% for the week. The company announced a positive Alzheimer's drug trial which sent the stock surging on Friday. Energy holdings in the S&P were the laggards last week with **Chevron Corp.** and **Valero Energy Corp.** rounding out the bottom performers in the index. The June unemployment number rose from an 18-year low, but wage gains unexpectedly slowed indicating the market continues to absorb excess capacity. Looking ahead to next week, CPI and PPI will be on investor's radar. Earnings reports from some of the largest banks will also be in focus, with **JPMorgan Chase & Co.**, **Wells Fargo & Co.** and **Citigroup Inc.** reporting at the end of next week.

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