US Economy and Credit Markets

Yields and Weekly Changes:

3 Mo. T-Bill:	2.430 (-1.3 bps)	GNMA (30 Yr) 6% Coupon:	104-30/32 (4.51%)
6 Mo. T-Bill:	2.502 (-0.3 bps)	Duration:	4.00 years
1 Yr. T-Bill:	2.544 (1.1 bps)	Bond Buyer 40 Yield:	4.05 (unch)
2 Yr. T-Note:	2.553 (5.9 bps)	Crude Oil Futures:	55.80 (-1.46)
3 Yr. T-Note:	2.533 (7.1 bps)	Gold Spot:	1,293.44 (-35.96)
5 Yr. T-Note:	2.556 (8.5 bps)	Merrill Lynch High Yield Indices:	
10 Yr. T-Note:	2.753 (10.1 bps)	U.S. High Yield:	6.81 (-5 bps)
30 Yr. T-Bond:	3.123 (10.7 bps)	BB:	5.27 (-3 bps)
		B:	7.22 (-5 bps)

Long-dated U.S. Treasury yields declined early in the week as investors favored government paper amid weak housing data and Federal Reserve Chairman Jerome Powell's testimony to Congress. Housing starts declined 11.2% in December and are down 10.9% versus a year ago, the slowest pace of activity in two years. Fed Chairman Jerome Powell reiterated the Federal Open Market Committee's patient stance on future interest rate changes. Treasury yields ticked back up on Thursday after fourth quarter GDP data came in higher than expected. Real GDP grew at a 2.6% annual rate in the fourth quarter of 2018, beating the consensus expected 2.2%. Real GDP was up 3.1% in the fourth quarter compared to a year ago, the fastest growth rate since 2005. Investors digested weaker-than-expected manufacturing data released on Friday. The ISM Manufacturing Index fell to 54.2 in February, below the consensus expected 55.8. The Manufacturing Sector still grew in February, albeit at a slower pace, with continued tariff uncertainty and inclement weather reportedly dulling growth. The details in the report indicated a better story as all but two of the eighteen industries reported growth in the month of February. Major economic reports (related consensus forecasts, prior data) for the upcoming week include: Monday: December Construction Spending MoM (0.2%, 0.8%); Tuesday: February ISM Non-Manufacturing Index (57.3, 56.7), December New Home Sales (589k, 657k); Wednesday: March 1 MBA Mortgage Applications (N/A, 5.3%), February ADP Employment Change (190k, 213k), December Trade Balance (-$57.3b, -$49.3b); Thursday: March 2 Initial Jobless Claims (225k, 225k), February 23 Continuing Claims (1762k, 1805k); Friday: January Building Permits (1280k, 1326k), January Housing Starts (1190k, 1078k), February Change in Nonfarm Payrolls (185k, 304k), February Unemployment Rate (3.9%, 4.0%).

US Equities

Weekly Index Performance:		Market Indicators:	
DJIA:	26,026.32 (+0.07%)	Strong Sectors:	Energy, Info Tech, Financials
S&P 500:	2,803.69 (+0.46%)		
S&P Midcap:	1,925.35 (-0.38%)	Weak Sectors:	Materials, Real Estate, Cons Staples
S&P Smallcap:	978.79 (-0.82%)		
NASDAQ Comp:	7,595.35 (+0.93%)	NYSE Advance/Decline:	1,896 / 1,043
Russell 2000:	1,589.64 (+0.02%)	NYSE New Highs/New Lows:	134/ 13
		AAII Bulls/Bears:	41.6% / 20.0%

Stocks were marginally higher during a up and down week as investors weighed better-than-expected economic growth with geopolitical and trade concerns. GDP grew at 2.6% in the 4th quarter, beating consensus expectations of 2.2%, as business investment remained strong. In trade news, President Trump announced a delay to an increase in tariff rates and his top trade negotiator, Robert Flightier, later in the week told reporters the U.S. is in the process of abandoning plans to increase rates on $200 billion of Chinese goods to 25% from 10% due to progress on a deal. In stock news, shares of **Hewlett-Packard Enterprise** surged following a beat-and-raise quarter due to cost-curtailment and a good product mix. By contrast, shares of **HP Inc.** plunged on weak sales as consumers have shifted their buying patterns to cheaper online options, hurting their high-margin ink cartridge sales. High-growth cloud-based technology firms **Box Inc**. and **Nutanix Inc**. both issued disappointing guidance that sent their shares sliding. **General Electric Co.** agreed to sell its life sciences unit to **Danaher Corp.** for over $21 billion. The move sent both industrials higher as the cash deal should help General Electric's balance sheet. Looking ahead, corporate profits are likely to be challenged next quarter as falling energy prices, weak earnings guidance for some mega-cap firms and less benefits from tax cuts could lead to declining earnings growth for the S&P 500. However, median earnings growth rates are still positive and could create some pockets of opportunities in the market, despite the recent increase in valuations.