

US Economy and Credit Markets			
Yields and Weekly Changes:			
3 Mo. T-Bill:	2.373 (-4.4 bps)	GNMA (30 Yr) 6% Coupon:	107-27/32 (3.51%)
6 Mo. T-Bill:	2.412 (-1.9 bps)	Duration:	3.77 years
1 Yr. T-Bill:	2.325 (-3.8 bps)	Bond Buyer 40 Yield:	3.76 (-4 bps)
2 Yr. T-Note:	2.198 (-6.8 bps)	Crude Oil Futures:	62.76 (1.10)
3 Yr. T-Note:	2.144 (-8.7 bps)	Gold Spot:	1,277.53 (-8.52)
5 Yr. T-Note:	2.173 (-9.0 bps)	Merrill Lynch High Yield Indices:	
10 Yr. T-Note:	2.391 (-7.6 bps)	U.S. High Yield:	6.69 (1 bps)
30 Yr. T-Bond:	2.825 (-6.1 bps)	BB:	5.17 (unch.)
		B:	7.08 (1 bps)

Treasury prices were up over the course of the week as trade tensions between the United States and China led investors to seek the perceived safety of Treasuries. On Monday, Chinese state-controlled newspaper editorials suggested that China was unwilling to agree to President Trump's terms and the Trump administration announced they would place a 25% tariff on the remaining \$300 billion of untaxed goods. China retaliated by saying they would place tariffs on \$60 billion of U.S. imports. However, President Trump confirmed that he planned to meet with Chinese President Xi at the G-20 summit and said that they could still reach a deal within the coming weeks. On Thursday, Treasury Secretary Steven Mnuchin said he would fly to Beijing to resume talks, but this optimism was countered by Trump signing an executive order that would allow the federal government to ban U.S. companies from buying telecom equipment from "foreign adversaries," which is directed at Chinese telecom giant Huawei in the 5G industry. In Europe, Italy's prime minister said they could use some fiscal strategies to increase employment, which renewed concerns that Italy's deficit to GDP level would hit the 3% fiscal ceiling imposed by the EU. The market implied probability of a Fed rate cut by the end of the year increased from 59% to 75% over the course of the week. However, strong economic data in the U.S., including better than expected housing starts, employment numbers and sentiment, dampened demand for Treasuries. Major economic reports (related consensus forecasts, prior data) for the upcoming week include: Tuesday: April Existing Home Sales (5.35m, 5.21m); Wednesday: May 17 MBA Mortgage Applications (n/a, -0.6%); Thursday: May 18 Initial Jobless Claims (215k, 212k); May Prelim. Markit US Manufacturing PMI (52.7, 52.6), April New Home Sales (675k, 692k); Friday: April Prelim. Durable Goods Orders (-2.0%, 2.6%).

US Equities			
Weekly Index Performance:		Market Indicators:	
DJIA:	25,764.00 (-0.61%)	Strong Sectors:	Real Estate, Utilities, Consumer Staples
S&P 500:	2,859.53 (-0.69%)	Weak Sectors:	Financials, Industrials, Consumer Discretionary
S&P Midcap:	1,889.40 (-2.22%)	NYSE Advance/Decline:	1,228 / 1,817
S&P Smallcap:	934.56 (-3.05%)	NYSE New Highs/New Lows:	319 / 185
NASDAQ Comp:	7,816.29 (-1.22%)	AAII Bulls/Bears:	29.8% / 39.3%
Russell 2000:	1,535.76 (-2.32%)		

After reaching a new high on the last day of April, the S&P 500 has trended down in May. Despite trading higher in the middle of the week, the index traded lower by -0.76% to close out last week and is up over 14% since the start of the year. The markets rode the wave of trade talks with China. The potential talks have been a highly watched event leading up to the Group of 20 meeting in Japan next month. On Friday, President Trump announced a delay on tariffs on imported vehicles from the EU, Japan, and other nations. The delay allows the focus to be on China and not with some of the United States key allies. The trade war was felt in **Deere** shares as the stock traded lower after releasing lower than expected earnings which highlighted a dimming company outlook. Tensions in the Middle East have come back into play with President Donald Trump trying to navigate the conflict and its implications on his chances at winning a second term. The global risk-off trade has pushed emerging market stocks down since the mid-April highs. The basket of emerging market currencies has erased its year to date gain. Back in the domestic markets, some highlights were in consumer stocks. **COTY, Inc.**, a manufacturer of beauty products, was the best performing stock in the S&P 500 after insider filings showed its management have been purchasing the stock after an additional 20% of the company was purchased by JAB Investments in April. **Under Armour**, a sports apparel manufacturer, was upgraded by analysts after the company completed a 3-year strategic initiative focused on inventory and cost reduction. Looking ahead to next week, housing and jobs numbers will be on investor's radar.

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