

| US Economy and Credit Markets |                  |                                   |                   |
|-------------------------------|------------------|-----------------------------------|-------------------|
| Yields and Weekly Changes:    |                  |                                   |                   |
| 3 Mo. T-Bill:                 | 2.168 (-9.8 bps) | GNMA (30 Yr) 6% Coupon:           | 106-08/32 (3.98%) |
| 6 Mo. T-Bill:                 | 2.170 (2.9 bps)  | Duration:                         | 3.69 years        |
| 1 Yr. T-Bill:                 | 2.008 (3.9 bps)  | Bond Buyer 40 Yield:              | 3.72 (2 bps)      |
| 2 Yr. T-Note:                 | 1.841 (-0.9 bps) | Crude Oil Futures:                | 52.51 (-1.48)     |
| 3 Yr. T-Note:                 | 1.782 (-3.4 bps) | Gold Spot:                        | 1,341.70 (0.84)   |
| 5 Yr. T-Note:                 | 1.833 (-2.0 bps) | Merrill Lynch High Yield Indices: |                   |
| 10 Yr. T-Note:                | 2.080 (-0.1 bps) | U.S. High Yield:                  | 6.64 (-10 bps)    |
| 30 Yr. T-Bond:                | 2.586 (1.4 bps)  | BB:                               | 5.01 (-10 bps)    |
|                               |                  | B:                                | 7.16 (-5 bps)     |

The Treasury rally slowed last week while consumer inflation expectations hit record lows. The Consumer Price Index excluding food and energy rose 2.0% in May over a year ago and 0.1% from the prior month, the Labor Department said Wednesday. Both readings came in slightly below expectations and bolstered bets that the Fed will cut interest rates this year, despite the yearly gain coming in at the Fed's 2% target. Additionally, a survey by the University of Michigan released on Friday said consumers expect an average long-term inflation rate of 2.2%, the lowest rate ever recorded by the survey. The release sent yields lower. Meanwhile, retail sales rose 0.5% in May over the prior month and were revised upward from a 0.2% decline in April to a 0.3% gain. The report, paired with stronger-than-expected industrial production, paused the recent rally in Treasuries and sent yields slightly higher. This week, the Federal Open Market Committee meets on Tuesday and Wednesday and is expected to hold rates steady. However, expectations that the Fed will cut rates this year rise significantly thereafter. Major economic reports (related consensus forecasts, prior data) for the upcoming week include Monday: June Empire Manufacturing (10.5, 17.8); Tuesday: May Housing Starts (1,239k, 1,235k); Wednesday: June 19 FOMC Rate Decision – Upper Bound (2.50%, 2.50%), June 14 MBA Mortgage Applications (N/A, 26.8%); Thursday: June 15 Initial Jobless Claims (220k, 222k), May Leading Index (0.1%, 0.2%); Friday: June Preliminary Markit US Manufacturing PMI (50.5, 50.5), May Existing Home Sales (5.25m, 5.19m).

| US Equities               |                    |                          |                                     |
|---------------------------|--------------------|--------------------------|-------------------------------------|
| Weekly Index Performance: |                    | Market Indicators:       |                                     |
| DJIA:                     | 26,089.61 (+0.46%) | Strong Sectors:          | Cons Disc, Comm Services, Utilities |
| S&P 500:                  | 2,886.98 (+0.53%)  | Weak Sectors:            | Energy, Industrials, Info Tech      |
| S&P Midcap:               | 1,899.92 (+0.49%)  | NYSE Advance/Decline:    | 1,638 / 1,410                       |
| S&P Smallcap:             | 923.57 (+0.45%)    | NYSE New Highs/New Lows: | 424/ 144                            |
| NASDAQ Comp:              | 7,796.66 (+0.73%)  | AAll Bulls/Bears:        | 26.8% / 39.0%                       |
| Russell 2000:             | 1,522.50 (+0.58%)  |                          |                                     |

Stocks rose for the week, buoyed by a trade deal between the U.S. and Mexico to avert tariffs being placed on Mexican imports. Economic data was mostly positive for the week as retail sales advanced 0.5% in May and April's number was revised significantly higher. In addition, industrial production surprised to the upside with growth of 0.4% and inflation remains benign for both consumers and manufacturers. In stock news, **Broadcom Inc.** slumped after reporting disappointing guidance, citing the current trade dispute between the U.S. and China. Other semiconductor stocks sold-off in sympathy as the trade dispute is likely to have a bigger impact on the chip industry. Shares of **Advanced Micro Devices Inc.** initially jumped after **Microsoft Inc.** announced they will use AMD chips in their next gaming system, but fell later in the week with the rest of the industry. **Casey's General Stores Inc.** reported another strong quarter on strong same-store sales and better-than-expected margins on gasoline. In merger news, **United Technologies Corp.** and **Raytheon Co.** announced a merger of equals, creating an industrial powerhouse with \$74 billion of pro-forma revenue. **Salesforce.com Inc.** announced the acquisition of **Tableau Software Inc.**, a leader in data analytics and visualization, for around \$15 billion in an all-stock transaction. Looking ahead, all eyes will be on Fed's meeting next week as the market is now pricing a rate-cut before the end of the year. Additionally, headlines around trade and increased geo-political tensions between the U.S. and Iran over the recently damaged tankers will be at the forefront of traders' minds. Looking longer term, with the market approaching past highs, the economy and corporate fundamentals will likely need to remain strong to keep stocks moving higher.

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