

US Economy and Credit Markets			
Yields and Weekly Changes:			
3 Mo. T-Bill:	2.130 (-8.5 bps)	GNMA (30 Yr) 6% Coupon:	110-04/32 (2.83%)
6 Mo. T-Bill:	2.069 (-4.9 bps)	Duration:	3.78 years
1 Yr. T-Bill:	1.955 (-1.1 bps)	Bond Buyer 40 Yield:	3.69 (0 bps)
2 Yr. T-Note:	1.847 (-1.2 bps)	Crude Oil Futures:	60.21 (+2.70)
3 Yr. T-Note:	1.825 (1.2 bps)	Gold Spot:	1,415.75 (+16.30)
5 Yr. T-Note:	1.871 (4.0 bps)	Merrill Lynch High Yield Indices:	
10 Yr. T-Note:	2.122 (8.8 bps)	U.S. High Yield:	6.46 (3 bps)
30 Yr. T-Bond:	2.647 (10.5 bps)	BB:	4.84 (2 bps)
		B:	6.77 (3 bps)

Long-term U.S. Treasury yields climbed last week as short-term U.S. Treasury yields retreated, widening the yield curve. Federal Reserve Chairman Jerome Powell addressed Congress last week. Fed Chairman Powell mentioned the Fed will “act as appropriate to sustain the expansion” as uncertainties surrounding weak global growth and trade tensions continue to mount. Powell also mentioned the U.S. economy is solid and remains on track. The Consumer Price Index, or CPI, rose 0.1% in June, above the expectation of no change. CPI, an inflation indicator, is up to an annualized 2.1%. Also, real average hourly earnings rose 0.2% in June and are up 1.5% in the past year, signaling continued strength in the labor market. Strong labor market data along with inflation in-line with the Fed’s target wasn’t enough to sway sentiment as the Fed Chairman’s testimony was interpreted as a sign that rate cuts are forthcoming. Major economic reports (related consensus forecasts, prior data) for the upcoming week include Monday: July Empire Manufacturing (2.0, -8.6); Tuesday: June Import Price Index MoM (-0.6%, -0.3%), June Retail Sales Advance MoM (0.1%, 0.5%), June Industrial Production MoM (0.1%, 0.4%); Wednesday: July 12 MBA Mortgage Applications (N/A, -2.4%), June Housing Starts (1260k, 1269k), June Building Permits (1300k, 1294k); Thursday: July 13 Initial Jobless Claims (216k, 209k), June Leading Index (0.1%, 0.0%); Friday: July Preliminary University of Michigan Sentiment (98.6, 98.2).

US Equities			
Weekly Index Performance:		Market Indicators:	
DJIA:	27,332.03 (+1.54%)	Strong Sectors:	Energy, Cons Disc, Info Tech
S&P 500:	3,013.77 (+0.82%)	Weak Sectors:	Health Care, Materials, Real Estate
S&P Midcap:	1,960.49 (-0.26%)	NYSE Advance/Decline:	1,683/ 1,384
S&P Smallcap:	952.53 (-0.58%)	NYSE New Highs/New Lows:	449/ 87
NASDAQ Comp:	8,244.15 (+1.01%)	AAll Bulls/Bears:	33.6% / 27.5%
Russell 2000:	1,569.99 (-0.34%)		

The S&P 500 set multiple record highs for the week, closing above 3,000 for the first time on Friday, led by testimony from Federal Reserve Chairman Jerome Powell indicating the central bank will likely cut rates soon. In economic news, inflation readings came in above expectations but remained around the Fed’s target of 2%. Shares of **UnitedHealth Group Inc.** and other managed care names gained following the announcement the Trump administration will not look to limit drug rebates to pharmacy benefit managers. By contrast, drug makers and healthcare equipment names posted steep losses as the current administration is likely to look to other ways to reign in healthcare costs. Shares of **Costco Wholesale Corp.** rose after reported strong comparable-store-sales versus a year ago on strength in e-commerce, store traffic and higher prices. Shares of **Deutsche Bank AG** were hit hard on skepticism the newest turnaround plan will be effective. Large U.S. banks, including **JP Morgan Chase & Co.** and **Morgan Stanley**, are likely to gain market share in equity trading with the large German bank shuttering their unit. In merger news, **Cisco Systems** announced the acquisition of **Acacia Communications, Inc.** for roughly \$2.6 billion. Looking near term, markets are likely to be driven by sentiment over future rate moves, with good economic news now being viewed as negative news by many traders because it could delay potential rates cuts. Earnings season is also set to start next week with **JP Morgan Chase & Co** and **Goldman Sachs Group** set to report on Tuesday.

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