US Economy and Credit Markets

Yields and Weekly Changes:

3 Mo. T-Bill:	0.091 (-0.3 bps)	GNMA (30 Yr) 6% Coupon:	109-24/32 (2.99%)
6 Mo. T-Bill:	0.112 (-0.3 bps)	Duration:	3.65 years
1 Yr. T-Bill:	0.119 (-0.8 bps)	Bond Buyer 40 Yield:	3.62 (3 bps)
2 Yr. T-Note:	0.143 (-1.0 bps)	Crude Oil Futures:	40.88 (0.28)
3 Yr. T-Note:	0.180 (-1.8 bps)	Gold Spot:	1,899.29 (-31.11)
5 Yr. T-Note:	0.322 (-1.6 bps)	Merrill Lynch High Yield Indices:	
10 Yr. T-Note:	0.746 (-2.8 bps)	U.S. High Yield:	5.82 (-01 bps)
30 Yr. T-Bond:	1.529 (-4.3 bps)	BB:	4.45 (unch)
		B:	6.10 (unch.)

Markets struggled for direction last week as global Covid-19 cases rose to their highest levels since summer. The U.S. reported its highest daily infection count in two months and worldwide cases topped 39 million. Limited lockdowns in Europe are being called for amid the increases. Concerns surrounding the use of lockdowns and their impact, coupled with stalled stimulus talks domestically, made for choppy equity markets and (even) low(er) yields. Last week's Consumer Price Index, CPI, report which was released Tuesday, was up 1.4% on a year-over-year basis. Real hourly earnings declined 0.1% in September. The Producer Price Index, PPI, rose as well in September by 0.4%. Food prices were up but lower energy prices partially offset this. September retail sales were seen rising by 1.9% last week as auto sales vroomed ahead as they continue rebounding from Q2 lows - the higher sales were widespread across industries, however. September industrial production was recorded as falling last week and utility output also declined as summer cooled into fall. Major economic reports (related consensus forecasts, prior data) for the upcoming week include Tuesday: September Housing Starts (1,457K, 1,416K); Wednesday: October 16 MBA Mortgage Applications (N/A, -0.7%); Thursday: October 17 Initial Jobless Claims (860K, 898K), September Leading Index (0.7%, 1.2%) and September Existing Home Sales (6.25M, 6.00M); Friday: October preliminary Markit US Manufacturing PMI (53.5, 53.2).

US Equities

Weekly Index Performance:		Market Indicators:	
DJIA:	28,606.31 (0.07%)	Strong Sectors:	Info. Tech., Industrials,
S&P 500:	3,483.81 (0.21%)		Comm. Services
S&P Midcap:	1,997.34 (0.07%)	Weak Sectors:	Financials, Energy,
S&P Smallcap:	923.71 (-0.25%)		Real Estate
NASDAQ Comp:	11,671.56 (0.79%)	NYSE Advance/Decline:	1,141 / 1,987
Russell 2000:	1,633.81 (-0.22%)	NYSE New Highs/New Lows:	308 / 650
		AAII Bulls/Bears:	34.8% / 35.7%

Equities were generally positive last week. The S&P 500 Index was up 0.21% as Industrials and Communication Services were the top sectors and Real Estate and Energy were laggards. U.S. equity returns continue to ebb and flow as a government stimulus talks are played out in public. 3Q bank earnings started last week after **JPMorgan Chase & Co**, **Bank of America Corp**, **Wells Fargo & Co**, **CitiGroup Inc.** and **Goldman Sachs Group Inc.** all reported quarterly results. JPMorgan was up 0.31% on news they only added $600m in loan loss reserves, well below estimates and the $8.2b from 1Q and $10.4b from 2Q. Goldman Sachs fell 0.64% on news FICC sales and trading came in above analyst estimates but expenses rose by 6% driven by pay increases. Wells Fargo fared the worst of the big banks with a -9.64% return after favorable loan loss reserves were trumped by lower than forecast net interest income. Bank of America fell 4.42% and CitiGroup fell 3.87% as a flat yield curve continues to lower net interest income. Investment behemoth **Blackrock Inc.** announced record quarterly earnings of $9.05 a share. Company earnings were fueled by net fund inflows of $128b well ahead of the $99.5b estimates as they saw their AUM reach a record $7.81t. **Royal Caribbean** returned -17.25% last week as they announced plans to raise $1b in capital via debt and equity offerings to cover near term operating costs and repay some senior notes that are coming due. As election uncertainty continues, focusing on events that are likely to occur can add some investing clarity. The U.S. should have a vaccine sometime in the next few months, there will likely be another large round of federal stimulus in the next few months, the Fed will likely keep rates near zero for as long as the economy needs it and 2020 will provide very favorable comps going into 2021. We remain bullish on equities as there is no alternative to meaningful real returns in this low rate era.