## US Economy and Credit Markets

**Yields and Weekly Changes:**

| | | | |
|---|---|---|---|
| 3 Mo. T-Bill: | 1.546 (-2.3 bps) | GNMA (30 Yr) 6% Coupon: | 110-12/32 (2.83%) |
| 6 Mo. T-Bill: | 1.516 (-2.3 bps) | Duration: | 3.77 years |
| 1 Yr. T-Bill: | 1.419 (-5.0 bps) | Bond Buyer 40 Yield: | 3.46 (-06 bp) |
| 2 Yr. T-Note: | 1.354 (-7.4 bps) | Crude Oil Futures: | 53.38 (1.33) |
| 3 Yr. T-Note: | 1.319 (-7.8 bps) | Gold Spot: | 1,643.41 (59.35) |
| 5 Yr. T-Note: | 1.322 (-9.4 bps) | Merrill Lynch High Yield Indices: | |
| 10 Yr. T-Note: | 1.471 (-11.4 bps) | U.S. High Yield: | 5.85 (-01 bps) |
| 30 Yr. T-Bond: | 1.915 (-12.4 bps) | BB: | 4.27 (-02 bps) |
| | | B: | 6.03 (-01 bps) |

Last week began gloomily when Apple Inc. warned that 2Q revenue would be short of its forecasts and the yield curve flattened. On Wednesday the Federal Reserve discussed current policy and decided it was appropriate considering overall economic strength juxtaposed against uncertainty arising from the global Coronavirus outbreak. As last week ended, U.S. long dated bond yields fell to all-time lows. The curve has twisted as the shortest-term yields and longer-term yields are higher than 2-7-year yields. The U.S. continues to have weak manufacturing data and the global supply chain has heightened uncertainty as a result of Coronavirus. Last week's economic news included both Housing Starts and Existing Home Sales declining in January. The Producer Price Index registered a modest increase as goods and services cost increased while energy costs declined. Major economic reports (related consensus forecasts, prior data) for the upcoming week include Tuesday: February Conference Board Consumer Confidence (132, 131.6); Wednesday: February 21 MBA Mortgage Applications (N/A, -6.40%), January New Home Sales (713K, 694K); Thursday: February 22 Initial Jobless Claims (212k, 210k), 4Q Annualized GDP QoQ (2.1%, unch.) January preliminary Durable Goods Orders (-1.50%, 2.40%); Friday: January preliminary Wholesale Inventories MoM (0.00%, -0.20%), January Personal Income (0.40%, 0.20%), January Personal Income (0.40%, 0.20%), January Personal Spending (0.30%, unch.) February MNI Chicago PMI (46, 42.9) and February final University of Michigan Sentiment (100.7, 100.9).

## US Equities

| Weekly Index Performance: | | Market Indicators: | |
|---|---|---|---|
| DJIA: | 28,992.41 (-1.36%) | Strong Sectors: | Real Estate, Cons. Staples, Utilities |
| S&P 500: | 3,337.75 (-1.22%) | | |
| S&P Midcap: | 2,084.33 (-0.57%) | Weak Sectors: | Comm. Services, Financials, Info Tech |
| S&P Smallcap: | 1,009.62 (-0.84%) | | |
| NASDAQ Comp: | 9,576.59 (-1.55%) | NYSE Advance/Decline: | 1,194 / 1,833 |
| Russell 2000: | 1,678.61 (-0.52%) | NYSE New Highs/New Lows: | 536 / 158 |
| | | AAII Bulls/Bears: | 40.6% / 28.7% |

U.S. Equities had a see-saw week as the S&P 500 Index closed Wednesday at an all-time high, only to close the week with a -1.2% return. Coronavirus fears struck the market and led investors preferring safer assets. Evidence of a flight to safety was found in the 30-Year US Treasury yields hitting an all-time low, gold soaring to $1644 an ounce, highest level since early 2013, along with the Real Estate, Consumer Staples and Utilities leading equity returns last week. Corporate earnings season wound down last week as 50 names in the S&P 500 Index announced quarterly results, bringing the total announcements year-to-date to 429 in the Index. **Deere & Co** was up over 5.5% last week after announcing an unexpected increase in earnings as a surge in their U.S. farm business offset a slowdown in their construction segment. The company credited a wane in trade tensions for the improving farm capital equipment business. Recently combined **ViacomCBS Inc.** had a -19.2% return last week after their first post-merger earnings announcement revealed advertising revenue, earnings and cash flow below expectations. **WalMart Inc.** announced revenue and earnings generally in line with expectations as the stock was up 0.6% last week. The company is a proxy for the strength of the U.S. consumer as same store sales were up 5.7% last year on quarterly revenue of $141b and annual revenue of $524b. The top performing stock in the S&P 500 Index was **E*Trade Financial Corp**. up over 20.7% after **Morgan Stanley** agreed to buy the online stock trading platform in a deal valued near $13b. Morgan shares sank 6.1% last week on worries they may have overpaid for E*Trade and potential dilution of their shareholders. Looking ahead to next week, global virus concerns will likely continue to impact markets, potentially giving investors a strong buying opportunity. We continue to encourage buy and hold investing for the long run and potential short-term disruptions can give investors long term opportunities.