US Economy and Credit Markets

Yields and Weekly Changes:

3 Mo. T-Bill:	0.450 (-81.7 bps)	GNMA (30 Yr) 6% Coupon:	111-03/32 (2.64%)
6 Mo. T-Bill:	0.378 (-77.4 bps)	Duration:	3.73 years
1 Yr. T-Bill:	0.382 (-62.7 bps)	Bond Buyer 40 Yield:	3.37 (-01 bp)
2 Yr. T-Note:	0.506 (-40.7 bps)	Crude Oil Futures:	41.28 (-3.48)
3 Yr. T-Note:	0.558 (-33.9 bps)	Gold Spot:	1,673.83 (88.14)
5 Yr. T-Note:	0.609 (-32.6 bps)	Merrill Lynch High Yield Indices:	
10 Yr. T-Note:	0.762 (-38.6 bps)	U.S. High Yield:	6.65 (17 bps)
30 Yr. T-Bond:	1.287 (-38.8 bps)	BB:	4.87 (9 bps)
		B:	7.16 (41 bps)

Treasury yields plunged to record lows last week as the coronavirus continued to roil financial markets. The yield on the U.S. 10-year Treasury note fell below 0.7% for the first time last week and has been cut in half in just two weeks as demand for haven assets remained strong. The economic risks posed by the coronavirus prompted the Fed to cut rates on Tuesday, ahead of its next scheduled two-day meeting on March 17 and 18. The half-percentage-point cut was the Fed's first emergency rate cut since the 2008 financial crisis. Even with the move, the Fed is still widely expected to cut rates by another 50 basis points at its March meeting. Economic data released on Friday showed the U.S. economy added 273,000 jobs in February over the prior month, which easily exceeded expectations, and the unemployment rate fell from 3.6% to 3.5%. The strong jobs report had little effect on financial markets, however, as the economic impact of the coronavirus will need to be assessed in the coming months. Major economic reports (related consensus forecasts, prior data) for the upcoming week include Wednesday: February CPI MoM (0.0%, 0.1%), March 6 MBA Mortgage Applications (N/A, 15.1%); Thursday: March 7 Initial Jobless Claims (217k, 216k), February PPI Final Demand MoM (-0.1%, 0.5%); Friday: March Preliminary U. of Mich. Sentiment (95.0, 101.0).

US Equities

Weekly Index Performance:		Market Indicators:	
DJIA:	25,864.78 (+1.79%)	Strong Sectors:	Utilities, Cons Staples, Health Care
S&P 500:	2,972.37 (+0.65%)		
S&P Midcap:	1,797.79 (-0.86%)	Weak Sectors:	Energy, Financials, Industrials
S&P Smallcap:	867.20 (-1.95%)		
NASDAQ Comp:	8,575.62 (+0.12%)	NYSE Advance/Decline:	1,479 / 1,570
Russell 2000:	1,449.22 (-1.81%)	NYSE New Highs/New Lows:	99 / 809
		AAII Bulls/Bears:	38.7% / 39.6%

Equities gyrated between gains and losses before ultimately closing higher for the week. Despite an emergency Fed rate cut of 50 basis point and Joe Biden's strong showing on Super Tuesday, the coronavirus continues to dominate stock market moves. Investors fear global growth will be slowed or turn negative due to the virus as businesses cancel trips and pull back on spending. While the effect of the virus has yet to have a material impact on a number of economic indicators, many gauges still point to strong fundamentals in the economy. Job growth remains strong with 273,000 jobs created in February and an unemployment rate of 3.5%, matching a 50-year low. In addition, the service sector continued to shine with the ISM Non-Manufacturing index posting a reading of 57.3. In stock news, travel stocks were especially hard hit with **Royal Caribbean Cruises Ltd.** and other cruise operators declining sharply after the U.S. might find ways to discourage travel on cruise ships amid another cruise ship being held offshore on virus concerns. **Southwest Airlines Co.** declined after announcing a drop in bookings will hurt first-quarter revenue. Energy and financials were the worst two sectors as falling travel demand hurt oil prices and a 10-year treasury below 1% will likely reduce net interest margins for banks. In the short-term, markets are completely captivated by news around the coronavirus. While the effects of the virus are unknown, newly issued fiscal and monetary stimulus across the globe will likely outlast the virus and provide a potential catalyst.