US Economy and Credit Markets

Yields and Weekly Changes:

3 Mo. T-Bill:	0.147 (2.2 bps)	GNMA (30 Yr) 6% Coupon:	109-30/32 (2.94%)
6 Mo. T-Bill:	0.178 (2.6 bps)	Duration:	3.66 years
1 Yr. T-Bill:	0.160 (0.3 bps)	Bond Buyer 40 Yield:	3.69 (-3 bps)
2 Yr. T-Note:	0.206 (4.6 bps)	Crude Oil Futures:	39.55 (+4.06)
3 Yr. T-Note:	0.283 (8.9 bps)	Gold Spot:	1,685.06 (-45.21)
5 Yr. T-Note:	0.463 (15.9 bps)	Merrill Lynch High Yield Indices:	
10 Yr. T-Note:	0.895 (24.3 bps)	U.S. High Yield:	6.47 (-88 bps)
30 Yr. T-Bond:	1.666 (25.9 bps)	BB:	4.78 (-51 bps)
		B:	6.57 (-96 bps)

The yield curve steepened last week as long-dated U.S. Treasury Bond yields pushed higher throughout the week. Investors digested a weekend of protests but had little impact on financial markets as investors focused on the reopening of the U.S. economy. With green shoots emerging, investors favored risky assets throughout the week, pushing U.S. Treasury Bond prices down and yields up. May ISM Manufacturing and ISM Non-Manufacturing Indexes both signaled contraction for the month of May. More importantly, the ISM data displayed improvement from April levels. Long-dated U.S. Treasury Bond yields surged higher on Friday as the 10-Year Treasury Bond yield reached its highest level since March. The trend towards risky assets continued as a much stronger-than-expected May jobs report on Friday fueled investor optimism for an economic recovery. Nonfarm payrolls rose about 2.5 million for the month of May, well higher than the consensus expectation of a decline of 7.5 million. The unemployment rate of 13.3% in May signaled a 1.4% decrease from April. Major economic reports (related consensus forecasts, prior data) for the upcoming week include: Tuesday: May NFIB Small Business (92.0, 90.9), April Final Wholesale Inventories MoM (n/a, -3.9%); Wednesday: June 5 MBA Mortgage Applications (n/a, -3.9%), May CPI MoM (0.0%, -0.8%), May CPI YoY (0.2%, 0.3%), June 10 FOMC Rate Decision (Upper Bound) (0.25%, 0.25%), May Monthly Budget Statement (-$590.0b, -$737.9b); Thursday: May PPI Final Demand MoM (0.1%, -1.3%), May PPI Final Demand YoY (-1.3%, -1.2%), June 6 Initial Jobless Claims (1575k, 1877k), May 30 Continuing Claims (20800k, 21487k), June 7 Bloomberg Consumer Comfort (n/a, 37.0); Friday: May Import Price Index MoM (0.6%, -2.6%), June Preliminary U. of Michigan Sentiment (75.0, 72.3).

US Equities

Weekly Index Performance:			Market Indicators:	
DJIA:	27,110.98	(6.85%)	Strong Sectors:	Energy, Financials, Industrials
S&P 500:	2,193.93	(4.96%)		
S&P Midcap:	1,911.15	(8.37%)	Weak Sectors:	Health Care, Consumer Staples, Comunication Services
S&P Smallcap:	899.33	(12.00%)		
NASDAQ Comp:	9,814.08	(3.44%)	NYSE Advance/Decline:	2,669 / 376
Russell 2000:	1,507.15	(8.13%)	NYSE New Highs/New Lows:	143 / 17
			AAII Bulls/Bears:	34.6% / 38.9%

After a weekend of peaceful protests and violent riots, stocks opened higher on Monday on optimism for a quicker than expected economic recovery. The S&P 500 closed out last week higher by almost 5%, erasing the losses incurred since the beginning of March. The market recovery was observed in small and mid-cap stocks with the S&P MidCap 400 and Russell 2000 both up over 8% last week. Investors eagerly anticipated Friday mornings job report as fears of a depression like surge in unemployment could vault the economy into a prolonged slide. Economists consensus estimates were a -7.5 million jobs lost, but in an unprecedented reversal the number came in at +2.5 million growth in payrolls. Moving to monetary policy, the Federal Reserve had promised to make it easier for corporations to gain access to financing throughout the pandemic. In response to the Fed, companies have borrowed a record $1.1 trillion dollars since the beginning of the year. The increased borrowing is nearly twice the pace set back in 2019. After a failed House bill to pump an additional $3.5 trillion stimulus dollars into the US economy, President Donald Trump said he would ask congress for more economic stimulus to aid in the recovery. The new stimulus is expected to be closer to $1 trillion dollars. The president's top economic advisor, Larry Kudlow, remarked that there could be a return-to-work incentive as one option to deliver the funds. Looking ahead to next week, economic releases include CPI and PdPI as well as the Federal Reserve Open Market Committee's decision on interest rates.