

| US Economy and Credit Markets |                 |                                   |                   |
|-------------------------------|-----------------|-----------------------------------|-------------------|
| Yields and Weekly Changes:    |                 |                                   |                   |
| 3 Mo. T-Bill:                 | 0.035 (1.5 bps) | GNMA (30 Yr) 6% Coupon:           | 110-23/32 (2.94%) |
| 6 Mo. T-Bill:                 | 0.051 (0.8 bps) | Duration:                         | 3.78 years        |
| 1 Yr. T-Bill:                 | 0.061 (1.0 bps) | Bond Buyer 40 Yield:              | 3.40 (-1 bp)      |
| 2 Yr. T-Note:                 | 0.109 (0.8 bps) | Crude Oil Futures:                | 59.47 (2.62)      |
| 3 Yr. T-Note:                 | 0.193 (1.7 bps) | Gold Spot:                        | 1,824.23 (10.12)  |
| 5 Yr. T-Note:                 | 0.492 (2.9 bps) | Merrill Lynch High Yield Indices: |                   |
| 10 Yr. T-Note:                | 1.208 (4.5 bps) | U.S. High Yield:                  | 4.75 (-6 bps)     |
| 30 Yr. T-Bond:                | 2.009 (3.8 bps) | BB:                               | 3.70 (-4 bps)     |
|                               |                 | B:                                | 5.19 (-9 bps)     |

Treasury yields moved slightly higher last week, while the 30-year Treasury yielded more than 2% for the first time since February 2020. The moves higher came as the market continues to price in the prospect of more government stimulus and higher economic growth as COVID-19 vaccines rollout. Inflation expectations also moved higher as the 10-year breakeven rate, or the difference between the yield on a nominal bond and one indexed to inflation, reached its highest level since 2014 last week. In the high yield market, the average yield on U.S. junk bonds fell below 4% for the first time, measured by the Bloomberg Barclays US Corporate High Yield Index. And in economic news, initial jobless claims were 793,000 in the week ended February 6 and have steadily improved from a winter peak of 927,000 last month, suggesting the labor market might be turning a corner as certain parts of the economy start to reopen. Major economic reports (related consensus forecasts, prior data) for the upcoming week include Tuesday: February Empire Manufacturing (6.3, 3.5); Wednesday: February 12 MBA Mortgage Applications (N/A, -4.1%), January Retail Sales Advance MoM (0.9%, -0.7%), January Industrial Production MoM (0.4%, 1.6%), January PPI Final Demand MoM (0.4%, 0.3%); Thursday: February 13 Initial Jobless Claims (765k, 793k), January Housing Starts (1,658k, 1,669k); Friday: February Preliminary Markit US Manufacturing PMI (58.5, 59.2), January Existing Home Sales (6.63m, 6.76m).

| US Equities               |                   |                          |   |
|---------------------------|-------------------|--------------------------|---|
| Weekly Index Performance: |                   | Market Indicators:       |   |
| DJIA:                     | 31,458.40 (1.11%) | Strong Sectors:          | Energy, Info Tech, Financials                 |
| S&P 500:                  | 3,934.83 (1.28%)  | Weak Sectors:            | Utilities, Cons. Discretionary, Cons. Staples |
| S&P Midcap:               | 2,544.55 (2.78%)  | NYSE Advance/Decline:    | 2,117 / 1,171                                 |
| S&P Smallcap:             | 1,297.90 (3.63%)  | NYSE New Highs/New Lows: | 758 / 27                                      |
| NASDAQ Comp:              | 14,095.47 (1.74%) | AAII Bulls/Bears:        | 45.5% / 26.3%                                 |
| Russell 2000:             | 2,289.36 (2.54%)  |                          |   |

The S&P 500 touched record highs last week as stocks finished up by almost 1%. Smaller market cap names in the Russell 2000 outperformed their larger cap peers by besting the group with a 2.3% return. Asset prices across multiple classes also rallied last week. Oil surpassed its 2020 high closing at almost \$60 per barrel. Bitcoin also continues to climb as the cryptocurrency surpassed \$47,000 with corporate players such as **Tesla** and **Mastercard** embracing the emerging mainstream appeal. Optimism backed by a fresh round of stimulus and a boosted vaccine rollout has market participants looking for these catalysts to manifest into more positive returns for stocks. Impeachment proceedings in the Senate took shape as both sides aired their cases with help from powerful videos taken from during the presidential campaigns. An acquittal of the former President was the most likely outcome as 17 Republicans must join their Democrat and independent colleges to convict President Trump. On Saturday, after a vote to consider possible witnesses in the trial, the Senate acquitted the former President with a 57-43 vote. The quick end to the trial allows Democrats to move forward on their legislative agenda. Tweets in the news and the banning of influential newsmakers boosted **Twitter's** fourth quarter earnings and propelled the stock higher by over 26% last week. The company also announced a \$24 million dollar Bitcoin fund to develop the adoption of the cryptocurrency initially in Africa and India. Most of the companies in the S&P 500 have reported quarterly earnings and 82% have beat earnings estimates compared to 72% last year. On the top line, revenues beat estimates 66% of the time compared to only 38% a year ago. Looking ahead to a holiday shortened week, the FOMC meeting minutes are set to be released on Wednesday followed by housing starts and initial jobless claims later in the week.

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