US Economy and Credit Markets

Yields and Weekly Changes:

3 Mo. T-Bill:	0.028 (-0.8 bps)	GNMA (30 Yr) 6% Coupon:	110-18 1/4/32 (2.97%)
6 Mo. T-Bill:	0.030 (-2.0 bps)	Duration:	3.76 years
1 Yr. T-Bill:	0.048 (-1.3 bps)	Bond Buyer 40 Yield:	3.45 (+05 bp)
2 Yr. T-Note:	0.105 (-0.4 bps)	Crude Oil Futures:	59.24 (-0.23)
3 Yr. T-Note:	0.207 (1.4 bps)	Gold Spot:	1,784.25 (-39.98)
5 Yr. T-Note:	0.576 (8.4 bps)	Merrill Lynch High Yield Indices:	
10 Yr. T-Note:	1.336 (12.8 bps)	U.S. High Yield:	4.74 (-01 bps)
30 Yr. T-Bond:	2.133 (12.5 bps)	BB:	3.72 (02 bps)
		B:	5.18 (-01 bps)

Yields continued to rise as bond prices are falling amid rising expectations for increased inflationary pressure. The curve steepened with longer-dated bonds commanding ever higher yields as investors are favoring short-dated bonds for defensive investments as a result of inflation concerns. Last Wednesday saw three major reports. Industrial Production eased out expectations showing a 0.9% increase for January versus an expected reading of 0.4%. Retail sales popped 5.3% in January which was well ahead of a consensus expected gain of 1.1% - the gain was largely attributed to easing lockdowns and the end of year stimulus package. The January Producer Price Index was seen increasing 1.3% also ahead of expectations. Energy was up over 5%, driving the gain, and excluding energy prices rose 1.2%, still well above expectations. This represents the first and only time the PPI rose >1% in a month since the Index series began in 2009. Housing reports last week included a weak Thursday report of January housing starts falling 6% for the month but with offsetting news of a 0.6% increase to existing January home sales. Major economic reports (related consensus forecasts, prior data) for the upcoming week include Monday: January Leading Index (0.3%, 0.3%); Tuesday: February Conf. Board Consumer Confidence (90.0, 89.3); Wednesday: February 19 MBA Mortgage Applications (N/A, -5.1%), January New Home Sales (850K, 842K); Thursday: January preliminary Durable Goods Orders (1.1%, 0.5%), February 20 Initial Jobless Claims (835K, 861K) and Q4 GDP Annualized QoQ (4.1%, 4.0%); Friday: January preliminary Wholesale Inventories MoM (0.3%, 0.3%), January Personal Income (9.5%, 0.6%), January Personal Spending (2.4%, -0.2%), February MNI Chicago PMI (61.0, 63.8) and February Final University of Michigan Sentiment (76.4, 76.2).

US Equities

Weekly Index Performance:		Market Indicators:	
DJIA:	31,494.32 (+0.16%)	Strong Sectors:	Energy, Financials, Materials
S&P 500:	3,906.71 (-0.68%)		
S&P Midcap:	2,535.39 (-0.34%)	Weak Sectors:	Utilities, Health Care, Info Tech
S&P Smallcap:	1,288.77 (-0.69%)		
NASDAQ Comp:	13,874.46 (-1.54%)	NYSE Advance/Decline:	1,552 / 1,747
Russell 2000:	2,266.69 (-0.98%)	NYSE New Highs/New Lows:	556 / 30
		AAII Bulls/Bears:	47.1% / 25.4%

The S&P 500 traded lower on all four days during the holiday-shortened week as bond-proxies and information technology stocks moved lower on higher treasury yields. While the broad market moved lower, more cyclical exposed areas of the market posted strong gains including energy, financials, and small caps. Economic datapoints remained strong with PMIs showing strong expansion and retail sales far exceeding even the most optimistic forecasts. With earnings season winding down, **Applied Materials, Inc**. punctuated a strong season for chip equipment makers, forecasting strong wafer sales for all of 2021. Shortages of semiconductors have limited supply chains across autos, gaming systems and other end markets. Shares of **Roku, Inc.** gained after a strong beat and raise as consumers continue to shift to streaming platforms. **Wells Fargo & Co.** rose over 10% for the week on higher interest rates and hope the Federal Reserve cap could be lifted soon. Clean energy shares were sharply lower during the week as renewables were partially to blame for the Texas blackout. Key on investors' minds for the week ahead will be Jerome Powell's report in front of congress on Tuesday and a likely first vote on Joe Biden's $1.9 trillion stimulus package. While some pockets of the market look stretched, many areas look reasonably priced and could continue to inflect higher on the backs of a strong consumer, continued stimulus and earnings recovering in economically sensitive stocks.