US Economy and Credit Markets

Yields and Weekly Changes:

3 Mo. T-Bill:	0.020 (0.8 bps)	GNMA (30 Yr) 6% Coupon:	111-04 3/4/32 (2.73%)
6 Mo. T-Bill:	0.035 (0.8 bps)	Duration:	3.86 years
1 Yr. T-Bill:	0.046 (0.8 bps)	Bond Buyer 40 Yield:	3.39 (-3 bps)
2 Yr. T-Note:	0.147 (0.2 bps)	Crude Oil Futures:	70.91 (1.29)
3 Yr. T-Note:	0.308 (0.7 bps)	Gold Spot:	1,877.53 (-14.06)
5 Yr. T-Note:	0.739 (-4.0 bps)	Merrill Lynch High Yield Indices:	
10 Yr. T-Note:	1.452 (-10.2 bps)	U.S. High Yield:	4.65 (-9 bps)
30 Yr. T-Bond:	2.138 (-9.3 bps)	BB:	3.70 (-7 bps)
		B:	5.12 (-7 bps)

Treasury yields fell last week on the longer end of the yield curve, while economic data released last week pointed to a continued recovery in the labor market. Initial jobless claims reached a pandemic low of 376,000, while nearly 1 million new job openings in April pushed job openings to a record 9.3 million as employers continue to face hiring challenges. Inflation data released last week showed the Consumer Price Index rose faster than expected in May, rising 5% compared to last year. It was the highest yearly increase since August 2008. Rising used-car prices accounted for about a third of the increase. Despite quickly increasing consumer prices, the 10-year Treasury yield fell last week by the most since June of last year, partly based on the Fed's view that rising inflation is temporary and that it doesn't plan to move off its accommodative stance in the near term. The Fed meets on Tuesday and Wednesday this week and is widely expected to leave interest rates unchanged. Major economic reports (related consensus forecasts, prior data) for the upcoming week include Tuesday: May Retail Sales Advance MoM (-0.7%, 0.0%), May Industrial Production MoM (0.6%, 0.7%), May PPI Final Demand MoM (0.5%, 0.6%), June Empire Manufacturing (22.0, 24.3); Wednesday: June 16 FOMC Rate Decision – Upper Bound (0.25%, 0.25%), June 11 MBA Mortgage Applications (N/A, -3.1%), May Housing Starts (1640k, 1569k); Thursday: June 12 Initial Jobless Claims (360k, 376k), May Leading Index (1.3%, 1.6%).

US Equities

Weekly Index Performance:			Market Indicators:	
DJIA:	34,479.60	(-0.80%)	Strong Sectors:	Real Estate, Health Care, Cons Disc
S&P 500:	4,247.44	(0.43%)		
S&P Midcap:	2,752.17	(0.89%)	Weak Sectors:	Financials, Materials, Industrials
S&P Smallcap:	1,396.25	(0.92%)		
NASDAQ Comp:	14,069.42	(1.85%)	NYSE Advance/Decline:	2,240 / 1,258
Russell 2000:	2,335.81	(2.18%)	NYSE New Highs/New Lows:	781 / 40
			AAII Bulls/Bears:	40.2% / 20.7%

Markets were mixed for the week with growth pockets of the market leading the way, despite a higher-than-expected inflation reading for the month of May. The Consumer Price Index increased by 0.6% month-over-month and by 5% from a year ago. Traders sold the inflation news with cyclicals and value stocks falling for the week as some investors chalked up the higher reading to base effects and transitory supply chain issues. Shares of **Caterpillar Inc.** led the sell-off in reflation stocks, falling almost 10% for the week. Homebuilders were also weak due to fears of rising prices shrinking buyers and supply chain bottlenecks limiting new builds. Biotech posted strong performance on the back of **Biogen Inc.** receiving approval for its Alzheimer's drug. Shares of **Campbell Soup** fell after disappointing earnings on rising input costs and execution issues. High growth stocks moved higher for the week on positive commentary from corporate access events and lower bond yields with **ServiceNow Inc., Adobe Inc., CrowdStrike Inc.** and **Cloudflare Inc.** all moving higher by over 7%. **Fastly Inc**. initially fell after a service interruption caused many well-known websites to go offline briefly, however, shares recovered and rose by over 10% for the week. Looking ahead to next week, traders will closely follow the Federal Reserve meeting for clues on potential policy changes as economic growth accelerates and inflation increases. Additionally, how officials define "transitory" in respect to inflation and clues to when the Fed could start to taper will be watched. Risk assets have been in a goldilocks scenario with easy monetary policy and well-above trend economic growth that is likely to continue into 2022. In our view, strong corporate fundamentals are likely to lead to more market gains with more economically sensitive parts of the market leading from here.