US Economy and Credit Markets

Yields and Weekly Changes:

3 Mo. T-Bill:	0.043 (0.3 bps)	GNMA (30 Yr) 6% Coupon:	110-16+/32 (2.90%)
6 Mo. T-Bill:	0.043 (-0.3 bps)	Duration:	3.87 years
1 Yr. T-Bill:	0.066 (0.3 bps)	Bond Buyer 40 Yield:	3.38 (1 bps)
2 Yr. T-Note:	0.208 (2.4 bps)	Crude Oil Futures:	68.28 (-5.67)
3 Yr. T-Note:	0.407 (6.9 bps)	Gold Spot:	1,763.03 (-51.16)
5 Yr. T-Note:	0.768 (7.7 bps)	Merrill Lynch High Yield Indices:	
10 Yr. T-Note:	1.297 (7.5 bps)	U.S. High Yield:	4.68 (9 bps)
30 Yr. T-Bond:	1.945 (5.3 bps)	BB:	3.63 (3 bps)
		B:	5.26 (8 bps)

Treasury bond yields increased last week. Longer dated maturities led the selloff in treasury bonds, resulting in the steepening of the yield curve. Much of the selloff in treasury bonds took place after Friday's better than expected jobs report. Nonfarm payrolls increased 943,000 in July, the largest increase in 11 months, and well above the consensus expected 870,000. The increase in July was led by the private sector, most notably an increase of 380,000 in leisure and hospitality payrolls. The unemployment rate dropped to 5.4%, down 0.5% from June. The blowout in the jobs report can be attributed to people returning to work as state governments pare back excess unemployment benefits. Last week a couple of Federal Reserve officials voiced their opinions on monetary policy and the economy's road to recovery. Dallas Federal Reserve President Robert Kaplan mentioned the central bank should start tapering sooner rather than later, while Federal Reserve Vice Chair Richard Clarida believes the domestic economy is on the right trajectory for the central bank to start raising interest rates by 2023. Major economic reports (related consensus forecasts, prior data) for the upcoming week include Tuesday: July NFIB Small Business Optimism (102.0, 102.5), 2Q Preliminary Nonfarm Productivity (3.4%, 5.4%); Wednesday: August 6 MBA Mortgage Applications (n/a, -1.7%), July CPI MoM (0.5%, 0.9%), July CPI YoY (5.3%, 5.4%), July Monthly Budget Statement (-$255.0b, -$174.2b); Thursday: July PPI Final Demand MoM (0.6%, 1.0%), July PPI Final Demand YoY (7.1%, 7.3%), August 7 Initial Jobless Claims (375k, 385k), July 31 Continuing Claims (2880k, 2930k); Friday: August Preliminary University of Michigan Sentiment (81.2, 81.2).

US Equities

Weekly Index Performance:		Market Indicators:	
DJIA:	35,208.51 (0.79%)	Strong Sectors:	Financials, Utilities, Comm. Services
S&P 500:	4,436.52 (0.96%)		
S&P Midcap:	2,717.36 (0.53%)	Weak Sectors:	Industrials, Materials, Cons. Staples
S&P Smallcap:	1,356.27 (1.14%)		
NASDAQ Comp:	14,835.76 (1.14%)	NYSE Advance/Decline:	1,929 / 1,560
Russell 2000:	2,247.76 (0.98%)	NYSE New Highs/New Lows:	446 / 119
		AAII Bulls/Bears:	36.1% / 31.7%

The S&P 500 index once again closed at an all-time high last week. A strong US job report helped fuel equity returns as non-Farm Payrolls for July came in at 943k besting expectations and last months was revised up 88k to 938k. Unemployment fell to 5.4% down from 5.9% last month, while hourly earnings surprised to the upside. All this shows the strength of the U.S. recovery from the COVID recession. The Delta variant continues to concern the equity markets but hasn't prevented equities from reaching new all-time highs. Earnings season is winding down as 414 of the S&P 500 have reported quarterly results. Last week, several mega-cap health care names announced quarterly results. **Eli Lilly & Co**. released quarterly revenue ahead of expectations but missed on earnings. They announced several positive developments in their drug pipeline that helped them return 8.2% last week. **Moderna Inc.** saw its shares rip up 17.0% for the week after they reported revenue and earnings ahead of expectations as the mRNA COVID vaccine demand remains high. They revealed that a 3rd dose booster is needed for the northern hemisphere this winter and a multivalent vaccine is likely the best future strategy for the vaccine. **Amgen Inc.** released earnings and revenue ahead of expectations, but saw its shares dipped 4.7% on some lumpy drug pipeline news. Apparel maker **Under Armour Inc.** rallied 20.7% last week as they released very strong earnings and revenue for 2Q. They also raised full year earnings guidance from $0.30 a share up to $0.52 as margin gains are likely to persist for longer because of strong consumer demand. Looking ahead to next week, the global reaction to the Delta variant of COVID-19 will likely control headlines. The U.K. has seen their two-month Delta wave fall after peaking in July, perhaps foreshadowing the path here in the U.S. A handful of earnings are also on tap for the coming week.