

US Economy and Credit Markets			
Yields and Weekly Changes:			
3 Mo. T-Bill:	0.813 (-1.0 bps)	Bond Buyer 40 Yield:	4.42 (13 bps)
6 Mo. T-Bill:	1.311 (-8.5 bps)	Crude Oil Futures:	109.77 (5.08)
1 Yr. T-Bill:	1.971 (-8.7 bps)	Gold Spot:	1,883.81 (-13.12)
2 Yr. T-Note:	2.731 (1.6 bps)	Merrill Lynch High Yield Indices:	
3 Yr. T-Note:	2.958 (7.2 bps)	U.S. High Yield:	7.37 (32 bps)
5 Yr. T-Note:	3.077 (12.2 bps)	BB:	6.12 (25 bps)
10 Yr. T-Note:	3.126 (19.3 bps)	B:	7.70 (28 bps)
30 Yr. T-Bond:	3.225 (22.8 bps)		

Long-term Treasury yields rose significantly over the course of the week as the Federal Reserve increased interest rates 50 basis points and investors worried about stagflation. On Monday, interest rates rose moderately, and the 10-year yield briefly exceeded 3.0% for the first time since 2018. The yield curve steepened on Wednesday as short-term yields dropped significantly, and Federal Reserve Chairman Jerome Powell said that the Fed is not actively considering a 75 basis point rate increase at the next meeting. He also said that the Fed will not begin reducing its nearly \$9 Trillion balance sheet until June and that more 50 basis point rate hikes are possible at upcoming meetings. Treasury yields then rose significantly, especially amongst longer-term maturities, on Thursday and the 10-year yield closed above 3.0% as nonfarm productivity fell at an annual rate of -7.5%, the lowest level since 1947, and equities sold off. Investors continued to worry about inflation, which is growing at the fastest pace in nearly 40 years, and lower growth outlooks leading to stagflation. On Friday, long-term yields continued to rise significantly, with the 10-year yield closing above 3.1%, while the yield curve steepened with short-term yields falling. Oil continued its upward trend as the price per barrel rose 5% over the course of the week. Major economic reports (related consensus forecasts, prior data) for the upcoming week include Monday: March Final Wholesale Inventories MoM (2.3%, 2.3%); Wednesday: May 6 MBA Mortgage Applications (n/a, 2.5%), April CPI MoM (0.2%, 1.2%); Thursday: April PPI Final Demand MoM (0.5%, 1.4%), May 7 Initial Jobless Claims (190k, 200k); Friday: May Prelim. U. of Mich. Sentiment (64.0, 65.2).

US Equities			
Weekly Index Performance:		Market Indicators:	
DJIA:	32,899.37(-0.21%)	Strong Sectors:	Energy, Utilities, Communication Services
S&P 500:	4,123.34 (-0.18%)	Weak Sectors:	Real Estate, Cons Disc, Cons Staples
S&P Midcap:	2,480.95 (-0.76%)	NYSE Advance/Decline:	1,235 / 2,321
S&P Smallcap:	1,208.75 (-0.47%)	NYSE New Highs/New Lows:	112 / 1,101
NASDAQ Comp:	12,144.66 (-1.50%)	AAII Bulls/Bears:	26.9% / 52.9%
Russell 2000:	1,839.57 (-1.29%)		

Stocks traded slightly lower, measured by the S&P 500, last week after the early week rally violently reversed on Thursday into Friday. The index posted a -0.18% loss and the tech-heavy NASDAQ lost -1.5%. On Wednesday, the Federal Reserve raised the Fed funds target rate to 1% from 0.5%. The half-point move comes after consecutive quarter-point increases dating back to the end of last year. Investors grappled with the fear that an increase in interest rates by the Federal Reserve could push the economy into a recession. The jobs report on Friday also concerned the market with a drop in the labor participation rate. A lower labor participation rate could lead to wage increases and flow through to broader inflation. More visibility on the aggressiveness of the Fed's next move could come next week as some Fed officials are set to make statements on Friday. Oil closed up over \$5 for the week at just under \$110 a barrel. Energy companies were the big winners in the S&P 500 as the group moved over 10% higher last week. **Devon Energy, Occidental Petroleum, Pioneer Natural Resources, Valero, and NRG Energy** were the leaders in the S&P 500 with double-digit gains. Fourteen of the top 25 best performing names in the index were from the Energy sector. Earnings season is coming to an end with nearly 90% of the members of the S&P 500 reporting quarterly earnings and over 75% of the companies beating analyst estimates. Looking ahead to next week, CPI and PPI numbers are set to release on Wednesday and Thursday along with import and export prices on Friday.

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