US Economy and Credit Markets			
Yields and Weekly Changes:			
3 Mo. T-Bill:	1.565 (26.3 bps)	Bond Buyer 40 Yield:	4.69 (30 bps)
6 Mo. T-Bill:	2.198 (27.9 bps)	Crude Oil Futures:	109.56 (-11.11)
1 Yr. T-Bill:	2.805 (35.5 bps)	Gold Spot:	1,839.39 (-32.21)
2 Yr. T-Note:	3.179 (11.5 bps)	Merrill Lynch High Yield Indices:	
3 Yr. T-Note:	3.349 (11.3 bps)	U.S. High Yield:	8.57 (71 bps)
5 Yr. T-Note:	3.342 (8.3 bps)	BB:	7.03 (61 bps)
10 Yr. T-Note:	3.226 (7.0 bps)	B:	9.04 (79 bps)
30 Yr. T-Bond:	3.279 (8.6 bps)		

High inflation drove the Federal Reserve to declare a 75-bps increase to the target Federal Funds Rate – to a target range of 1-1/2 to 1-3/4 percent. Their statement added a new line voicing that the committee is “strongly committed to returning inflation to its 2 percent objective.” Markets have very rapidly priced in higher rates amid elevated inflation readings. Understanding this year’s rapid price changes is maybe most easily explained in review of the Federal Reserve Dot Plot. The December 15, 2021 FOMC Dots Median was 0.875 for 2022. After the June 15, 2022 release of the FOMC Dots the 2022 now stands at 3.75. This represents a striking increase of nearly 300 bps in just 6 months. Last week’s economic reports included Tuesday’s PPI reading for May showing an increase of 0.8%. Energy prices rose 5% for the month and food was unchanged. On a year over-year-basis, Producer prices are up 10.8%. This came on the heels of Friday, June 10’s CPI reading; taken catastrophically by financial markets, which induced the Federal Reserve to raise rates higher than what they had previously guided too. On Thursday, applications to build US housing plummeted 14.4% in May and starts were off 3.5%. This was the steepest monthly decline since the start of the pandemic amid rapidly increasing mortgage rates. Last week’s Friday Industrial Production registered a small rise of 0.2%, undershooting expectations of 0.4%. This was the fifth consecutive month of increased production; May powered by utility and mining output increases. Next Monday will feature a first-ever market close in honor of Juneteenth. Major economic reports (related consensus forecasts, prior data) for the upcoming week include Tuesday: May Existing Home Sales (5.40m, 5.61m); Wednesday: June 17 MBA Mortgage Applications (n/a, 6.6%); Thursday: June 11 Initial Jobless Claims (225k, 229k), June preliminary S&P Global US Manufacturing PMI (56.0, 57.0); Friday: June final University of Michigan Sentiment (50.2, unch.) and May New Home Sales (590k, 591k).

US Equities			
Weekly Index Performance:		Market Indicators:	
DJIA:	29,888.78 (-4.73%)	Strong Sectors:	Cons. Staples, Health Care
S&P 500:	3,674.84 (-5.75%)		Comm. Services
S&P Midcap:	2,220.49 (-7.53%)	Weak Sectors:	Materials, Utilities
S&P Smallcap:	1,095.12 (-7.89%)		Energy
NASDAQ Comp:	10,798.35 (-4.76%)	NYSE Advance/Decline:	521/2,768
Russell 2000:	1,665.69 (-7.43%)	NYSE New Highs/New Lows:	4/251
		AAII Bulls/Bears:	19.4%/58.3%

The S&P 500 Index shed more than 5% for the second straight week as equities entered their first bear market since the Covid-19 pandemic. Monday began on a sour note as all 500 S&P members were in the red at one point during the day. On Wednesday the Fed announced a well anticipated 75 basis point increase in the federal funds rate. While it was largely expected based on comments from FOMC board members leading up to the meeting, the market still struggled to digest the news of the largest rate hike since 1994 with indications that more raises of the same size may be on the horizon. Many market strategists believe that the S&P 500 has very nearly priced in a recession as the forward price to earnings multiple on the index has contracted by nearly a third to 15.5x. Unlike other recessionary environments, the labor market continues to be strong as shown by the low Initial Jobless Claims figure of 229,000 released on Thursday. Energy was the worst performing GICS sector due to news that Russia is continuing to wage its commodity war and halted supply of natural gas to Europe. President Biden wrote an open letter to major US oil refiners asking them to increase production to alleviate supply shortages. He reasoned that energy companies have profited substantially from the current supply squeeze and ought to invest more in production capacity that has been woefully underfunded mostly due to the long payback periods and the increasing green energy narrative in Washington. While the twelve worst performing stocks in the S&P 500 all came from the energy sector, the best performing stock during the week was Fedex Corp (**FDX**, 11.2%) as the shipping company raised its dividend in a sign of balance sheet strength before it releases earnings next week. Other companies releasing earnings announcements in the coming week include Carnival Corp, Darden Restaurants, Inc., and Accenture PLC.