

| US Economy and Credit Markets | | | |
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| Yields and Weekly Changes: | | | |
| 3 Mo. T-Bill: | 2.471 (15.4 bps) | Bond Buyer 40 Yield: | 4.29 (3 bps) |
| 6 Mo. T-Bill: | 3.030 (19.3 bps) | Crude Oil Futures: | 89.01 (-9.61) |
| 1 Yr. T-Bill: | 3.214 (32.7 bps) | Gold Spot: | 1,775.50 (+9.56) |
| 2 Yr. T-Note: | 3.226 (34.1 bps) | Merrill Lynch High Yield Indices: | |
| 3 Yr. T-Note: | 3.171 (36.5 bps) | US High Yield: | 7.71 (-2 bps) |
| 5 Yr. T-Note: | 2.956 (27.9 bps) | BB: | 6.16 (7 bps) |
| 10 Yr. T-Note: | 2.827 (17.8 bps) | B: | 8.22 (-11 bps) |
| 30 Yr. T-Bond: | 3.066 (5.7 bps) | | |

U.S. Treasury yields rose significantly over the course of the week, especially short-term yields, as investors weighed the pace at which the Federal Reserve would increase interest rates at coming meetings. Yields started the week with a drop in rates on Monday, before rising significantly on Tuesday as regional Fed policy makers Mary Daly and Charles Evans said that U.S. interest rates need to keep rising until inflation comes back down. Long-term yields then dropped moderately again on Wednesday as the ISM manufacturing index rose to a 3-month high of 56.7, compared to estimates of 55.3. Yields remained flat on Thursday as the Bank of England increased their target interest rate to by 50 basis points to 1.75 and U.S. Jobless claims met expectations of 260k. On Friday, yields rose significantly again across all durations as the U.S. added 528k jobs in July, which was significantly higher than expectations of 250k. This led investors to speculate that the Fed may increase the Federal Funds Target Rate more rapidly. The market implied probability of a 75-basis-point increase at the September 21st meeting rose from 32% at the beginning of the week to 76% by the end of the week. The yield curve continued to invert as the 2-year yield ended the week 40 basis points higher than the 10-year yield. Oil prices dropped 10% over the course of the week as recession fears have led investors to speculate there will be reduced demand for oil. Major economic reports (related consensus forecasts, prior data) for the upcoming week include: Wednesday: August 5 MBA Mortgage Applications (n/a, 1.2%), July CPI MoM (0.2%, 1.3%), July CPI YoY (8.7%, 9.1%); Thursday: August 6 Initial Jobless Claims (265k, 260k), July PPI Final Demand MoM (0.3%, 1.1%), July PPI Final Demand YoY (10.4%, 11.3%); August Prelim. U. of Mich. Sentiment (52.0, 51.5).

| US Equities | | | |
|---------------------------|--------------------|--------------------------|--|
| Weekly Index Performance: | | Market Indicators: | |
| DJIA: | 32,803.47 (-0.11%) | Strong Sectors: | Info. Tech., Cons. Discretionary, Comm. Services |
| S&P 500: | 4,145.19 (0.39%) | Weak Sectors: | Materials, Real Estate, Energy |
| S&P Midcap: | 2,504.28 (-0.31%) | NYSE Advance/Decline: | 1,984 / 1,497 |
| S&P Smallcap: | 1,239.40 (-0.02%) | NYSE New Highs/New Lows: | 109 / 138 |
| NASDAQ Comp: | 12,657.55 (2.18%) | AAll Bulls/Bears: | 30.6% / 38.9% |
| Russell 2000: | 1,921.84 (1.96%) | | |

The S&P 500 index only returned 0.39% last week despite evidence that the economy and corporate earnings remain strong. The Friday jobs report showed gains in nonfarm payrolls of 528k, more than double the estimated 250k jobs and revisions for last month were also strong. Unemployment ticked down to 3.5% and the labor force participation rate dipped to 62.1%. For the first time, total payrolls surpassed the pre-COVID rate from February 2020. There is no evidence the U.S. economy is heading for a recession from the July jobs reports. Energy was the worst performing sector last week as the price of Oil dropped from \$98.62 down to \$88.51 as global recessionary worries and tepid demand weighed on prices. Earnings season was in full tilt last week after 168 companies in the S&P 500 index announced quarterly results. Several mobility/delivery names announced terrific quarterly results. **Uber Technologies Inc.** announced that they hit a significant milestone becoming FCF positive for the first time. They credited the return of their mobility/rideshare business after pandemic lockdowns for their 107% revenue growth year over year. Their revenue and gross bookings were both all time highs for the company as their shares rallied 36.50% last week. Competitors **Lyft Inc.** and **Doordash Inc.** had similar stories as well. Lyft had record EBIDA returns and guided that next quarter they would have over \$1b in revenue and stated their goal of \$700m in positive free cash flow for 2024. Doordash also had strong revenue and EBIDA results that beat analyst expectations, as well as guidance for FY22 EBITDA between \$200m-\$500m. As a result of their terrific announcements, Lyft returned 46.32% and Doordash 15.11% last week. **PayPal Holdings Inc.** rallied 10.16% last week, after announcing strong quarterly results as well as a \$15b stock buyback program and a \$2b investment from private equity firm Elliott Management. Looking ahead to next week, earnings season is winding down as only 27 names in the S&P 500 are expected to report. Overall corporate earnings remain strong, and equities remain attractive.

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