

US Economy and Credit Markets			
Yields and Weekly Changes:			
3 Mo. T-Bill:	3.092 (8.5 bps)	Bond Buyer 40 Yield:	4.76 (8 bps)
6 Mo. T-Bill:	3.787 (25.7 bps)	Crude Oil Futures:	85.11 (-1.68)
1 Yr. T-Bill:	3.926 (32.7 bps)	Gold Spot:	1,675.06 (-41.77)
2 Yr. T-Note:	3.867 (31.1 bps)	Merrill Lynch High Yield Indices:	
3 Yr. T-Note:	3.826 (22.8 bps)	US High Yield:	8.80 (56 bps)
5 Yr. T-Note:	3.631 (19.6 bps)	BB:	7.17 (49 bps)
10 Yr. T-Note:	3.449 (14.0 bps)	B:	9.07 (59 bps)
30 Yr. T-Bond:	3.513 (6.6 bps)		

Higher-than-expected inflation data early last week sent ripples through the capital markets. U.S. Treasury bond yields rose across the yield curve as a broad selloff hit the equity markets. The Consumer Price Index (CPI) rose 0.1% in August, above the consensus expectation of -0.1%. The CPI is up 8.3% versus August of last year. Though energy prices fell 5.0%, food prices increased 0.8% last month. Core CPI (ex-energy and food) was 0.3% higher than the consensus expectation, led by persistent price increases in rents, which accounts for over 30% of overall CPI. Last week's inflation data clears the path for the Federal Reserve to resume aggressive rate hikes the September 21st Federal Open Market Committee (FOMC) meeting. According to the CME's FedWatch Tool, there's an 84% chance of a 75 basis point rate hike and a 16% chance of a 100 basis point hike next week. Major economic reports (related consensus forecasts, prior data) for the upcoming week include Tuesday: August Building Permits (1609k, 1674k), August Housing Starts (1450k, 1446k); Wednesday: September 16 MBA Mortgage Applications (N/A, -1.2%), August Existing Home Sales (4.70m, 4.81m), September 21 FOMC Rate Decision (Lower Bound) (3.00%, 2.25%), September 21 FOMC Rate Decision (Upper Bound) (3.25%, 2.50%); Thursday: 2Q Current Account Balance (-\$260.0b, -\$291.4b), September 17 Initial Jobless Claims (217k, 213k), September 10 Continuing Claims (1398k, 1403k), August Leading Index (-0.1%, -0.4%); Friday: September Preliminary S&P Global US Manufacturing PMI (51.3, 51.5), September Preliminary S&P Global US Services PMI (45.5, 43.7), September Preliminary S&P Global US Composite PMI (46.0, 44.6).

US Equities			
Weekly Index Performance:		Market Indicators:	
DJIA:	30,822.42 (-4.11%)	Strong Sectors:	Health Care, Energy, Consumer Staples
S&P 500:	3,873.33 (-4.73%)	Weak Sectors:	Materials, Industrials, Communication Services
S&P Midcap:	2,380.28 (-4.65%)	NYSE Advance/Decline:	630 / 2,836
S&P Smallcap:	1,144.98 (-4.02%)	NYSE New Highs/New Lows:	99 / 480
NASDAQ Comp:	11,448.40 (-5.46%)	AAII Bulls/Bears:	26.1% / 46.0%
Russell 2000:	1,798.19 (-4.46%)		

The S&P 500 Index returned -4.73% last week, posting its worst return since the week ending June 17. Stocks started the week positively and were up 1.06% on Monday but shifted direction on Tuesday and trended negative the remainder of the week. Equities opened lower on Tuesday on the release of CPI data early that morning. Year-over-year CPI came in at 8.3% which was higher than the expected 8.1%, and month-over-month came in at 0.1% for August which was higher than the expected 10 basis point decline. The S&P 500 Index declined 4.32% on Tuesday as markets digested the CPI data holding to the assumption that the Federal Reserve will remain aggressive in their rate hike response to combat high inflation. The upper bound of the Fed Funds Target Rate currently sits at 2.50% and is expected to be raised another 75 basis points this week at the Federal Open Market Committee meeting as the Federal Reserve attempts to slow growth at the risk of pushing the US economy into recession. U.S. initial jobless claims were reported at 213K which were lower than the consensus estimate of 227K and the previous week's claims of 222K. All sectors were in negative territory last week with health care and energy losing the least and crude oil prices declining 1.94%, closing at \$85.11 per barrel on Friday. Cruise line operator **Royal Caribbean Cruises Ltd.** was the best performing stock in the S&P 500 Index last week with a 6.77% return as air fares and fuel costs declined last month, though year-over-year both air fares and fuel costs are up significantly. The other two large cruise line operators **Norwegian Cruise Line Holdings Ltd.** and **Carnival Corp** also performed well. Software company **Adobe Inc.** was the worst performing stock in the index returning -24.13% last week. While the company had a good earnings announcement, they also announced a \$20 billion acquisition of **Figma Inc.** which was not well received. Shipping company **FedEx Corp** warned of a significant decline in package deliveries around the world causing the stock to drop sharply on Friday, returning -22.98% for the week. Earnings announcements expected this week include **Costco Wholesale Corp**, **General Mills Inc.**, **AutoZone Inc.**, **Lennar Corp**, **FactSet Research Systems Inc.**, among others.

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