US Economy and Credit Markets

Yields and Weekly Changes:

3 Mo. T-Bill:	5.446 (-2.0 bps)	Bond Buyer 40 Yield:	5.05 (19 bps)
6 Mo. T-Bill:	5.541 (2.4 bps)	Crude Oil Futures:	90.79 (0.76)
1 Yr. T-Bill:	5.448 (0.1 bps)	Gold Spot:	1,848.63 (-76.6)
2 Yr. T-Note:	5.044 (-6.6 bps)	Merrill Lynch High Yield Indices:	
3 Yr. T-Note:	4.799 (0.1 bps)	U.S. High Yield:	8.96 (13 bps)
5 Yr. T-Note:	4.609 (5.1 bps)	BB:	7.65 (11 bp)
10 Yr. T-Note:	4.571 (13.7 bps)	B:	9.07 (13 bps)
30 Yr. T-Bond:	4.699 (17.5 bps)		

Treasury yields were higher on the week but pulled back on Friday after the Fed's preferred inflation measure showed core inflation decelerating last month. New single-family home sales declined 8.7% in August to a 0.675 million annual rate, falling short of consensus expectations of 0.698 million. Affordability continues to be the main issue with the US housing market with 30-year mortgage rates currently sitting above 7.5% for the first time in two decades. On Wednesday, durable goods orders rose 0.2% in August, beating consensus expectations of -0.5%. Growth was seen across most major categories, with the only notable weakness coming from commercial aircraft. On Thursday, real GDP growth in Q2 remained unchanged, as a large downward revision to consumer spending, mainly in services, offset upward revisions to commercial construction, net exports, inventories, and home building. Initial Jobless claims rose 2k to 204k for the week, with continuing claims rising 12k to 1.670 million. Despite the anticipated temporary hits from the auto strike and potential shutdown, the labor market is expected to remain tight for some time. On Friday, personal income and consumer spending in August rose 0.4%. Rising gasoline prices, solid job prospects, and income growth helped fuel spending. Major economic reports (related consensus forecasts, prior data) for the upcoming week include Monday: September final S&P Global US Manufacturing PMI (48.9, 48.9), September ISM Manufacturing (49.0, 48.4); Wednesday: September 29 MBA Mortgage Applications (N/A, -1.3%), September ADP Employment Change (158k, 177k), August Factory Orders (0.2%, -2.1%), August Final Durable Goods Orders (N/A, 0.2%); Thursday: August Trade Balance (-$64.3b, -$65.0b), September 30 Initial Jobless Claims (210k, 204k); Friday: September Change in Nonfarm Payrolls (168k, 187k), September Unemployment Rate (3.7%, 3.8%).

US Equities

Weekly Index Performance:		Market Indicators:	
The Dow®	33,507.50 (-1.34%)	Strong Sectors:	Energy, Materials, Communication Services
S&P 500®	4,288.05 (-0.71%)		
S&P MidCap 400®	2,502.12 (0.33%)	Weak Sectors:	Utilities, Consumer Staples, Financials
S&P SmallCap 600®	1,151.26 (0.51%)		
Nasdaq Composite®	13,219.32 (0.07%)	NYSE Advance/Decline:	1,238 / 1,796
Russell 2000®	1,785.10 (0.55%)	NYSE New Highs/New Lows:	102 / 467
		AAII Bulls/Bears:	27.8% / 40.9%

Stocks traded lower by -0.71% as measured by the S&P 500 last week. The index lost -3.27% during the third quarter but is still higher by over 13% for the year. Risks in the fourth quarter have largely overshadowed the looming October 1st government shutdown. On Saturday, US lawmakers passed a temporary funding bill to keep federal agencies open until November 17. Investors are now weighing risks on several fronts including higher interest rates, oil prices, labor strikes, and a slowing consumer. Despite the inflationary pressure of oil prices above $90, the elevated price had a positive effect on S&P 500 energy companies. The sector was the best-performing group in the index, with a 1.31% return last week. Materials, led by **Steel Dynamics**, was the second best-performing sector in the index while the remaining sectors all logged negative returns for the week. Rate-sensitive sectors were all dragged down by long and short bond yields reaching levels not seen since the Great Financial Crisis. The Utilities sector in the S&P 500 traded lower by almost -7% with 28 of the 50 worst-performing stocks in the index all coming from the Utilities sector. With the focus on a weaker consumer, some bright spots emerged at the top of the best-performing stocks for the week. **Nike** reported better-than-expected results on tighter inventory controls that translated into an improving profit margin. **Ralph Lauren** also traded higher each day last week after the company announced a plan to expand its offerings in Canada. The company is rebounding after reporting a 10% North American revenue decline last quarter. Looking ahead to next week and the start of the fourth quarter, ISM data, mortgage applications, factory orders, employment, and consumer credit are all set for release.