US Economy and Credit Markets

Yields and Weekly Changes:

3 Mo. T-Bill:	4.734 (9.8 bps)	Bond Buyer 40 Yield:	4.40 (9 bps)
6 Mo. T-Bill:	4.900 (8.5 bps)	Crude Oil Futures:	79.72 (6.33)
1 Yr. T-Bill:	4.868 (13.5 bps)	Gold Spot:	1,865.57 (0.60)
2 Yr. T-Note:	4.517 (22.8 bps)	Merrill Lynch High Yield Indices:	
3 Yr. T-Note:	4.202 (24.8 bps)	U.S. High Yield:	8.46 (47 bps)
5 Yr. T-Note:	3.923 (26.4 bps)	BB:	7.00 (48 bps)
10 Yr. T-Note:	3.732 (20.7 bps)	B:	8.66 (45 bps)
30 Yr. T-Bond:	3.816 (20.2 bps)		

Treasury yields rose significantly over the course of the week on higher interest rate expectations for 2023 from the Federal Reserve. The previous week's strong jobs data led investors to believe that further rate hikes may be necessary to cool down inflation, causing Treasury yields to rise significantly on Monday. This speculation was supported throughout the week by comments from Fed Chairman Jerome Powell, along with other Fed officials. On Tuesday, Powell said that further rate hikes will be necessary and that the Fed is committed to bringing down inflation. Four more Fed officials on Wednesday made comments that implied the final target rate from the Fed may be higher than expected or the time frame to fight inflation may be longer than expected. Friday's higher than expected U. of Mich. Sentiment reading contributed to the speculation of rate increases and Treasury yields rose significantly again. The market implied Fed Funds Rate after the July 2023 meeting increased from 5.0% to 5.2% over the course of the week. Oil prices rose 9% over the course of the week as earthquakes in Turkey disrupted supply from the region and optimism that China may be reopening from lockdowns. Major economic reports (related consensus forecasts, prior data) for the upcoming week include Tuesday: January CPI MoM (0.5%, -0.1%), January CPI YoY (6.2%, 6.5%); Wednesday: February 10 MBA Mortgage Applications (n/a, 7.4%), February Empire Manufacturing (-20.0, -32.9), January Retail Sales Advance MoM (1.7%, -1.1%), January Industrial Production MoM (0.5%, -0.7%); Thursday: January Housing Starts (1361k, 1382k), February 11 Initial Jobless Claims (200k, 196k), January PPI Final Demand MoM (0.4%, -0.5%); Friday: January Leading Index (-0.3%, -0.8%).

US Equities

Weekly Index Performance:		Market Indicators:	
DJIA:	33,869.27 (-0.11%)	Strong Sectors:	Energy, Health Care, Utilities
S&P 500:	4,090.46(-1.07%)		
S&P Midcap:	2,639.30 (-2.49%)	Weak Sectors:	Communication Services, Consumer Disc., Real Estate
S&P Smallcap:	1,265.51 (-3.44%)		
NASDAQ Comp:	11,718.12 (-2.37 %)	NYSE Advance/Decline:	1,002 / 2,264
Russell 2000:	1,918.81 (-3.34%)	NYSE New Highs/New Lows:	224 / 35
		AAII Bulls/Bears:	37.5% / 25.0%

Last week investors evaluated the possibility that the Federal Reserve will keep interest rates higher for longer as it looks to combat long-term inflation. After last week's stronger-than-expected January employment report, next week's CPI print will signal the Fed's willingness to raise rates. Equity market expectations were felt in the tech-heavy NASDAQ 100 posting its first weekly loss of 2023. Despite the weekly loss, the index has gained over 12% since the beginning of the year, while the large-cap S&P 500 has gained just over 6.5%. **Alphabet Inc**., the parent company of Google, slid by almost 10% last week after concerns were raised about the tech giant's Bard artificial intelligence unit. The move erased about $170 billion dollars of market capitalization. Google's rival **Microsoft** had previously announced a partnership with ChatGPT to ingrate the service into its BING search engine. Uncertainty in the stock market has yet to spill over onto the consumer. US consumer sentiment, measured by a survey conducted by the University of Michigan, hit its highest level in a year. The uptick in sentiment came with a higher-than-expected inflation outlook but remained below expectations from a year ago. Earning season continues with 124 companies in the S&P 500 slated to report quarterly results over the next two weeks. On the economic calendar, the aforementioned CPI along with data on retail sales, housing, and import/export prices are all set to release next week.