US Economy and Credit Markets

Yields and Weekly Changes:

3 Mo. T-Bill:	4.781 (-0.5 bps)	Bond Buyer 40 Yield:	4.67 (6 bps)
6 Mo. T-Bill:	5.086 (7.8 bps)	Crude Oil Futures:	76.32 (-0.02)
1 Yr. T-Bill:	4.995 (2.5 bps)	Gold Spot:	1,811.04 (-31.32)
2 Yr. T-Note:	4.814 (19.7 bps)	Merrill Lynch High Yield Indices:	
3 Yr. T-Note:	4.537 (22.2 bps)	US High Yield:	8.74 (8 bps)
5 Yr. T-Note:	4.215 (18.6 bps)	BB:	7.28 (5 bps)
10 Yr. T-Note:	3.943 (12.8 bps)	B:	8.93 (7 bps)
30 Yr. T-Bond:	3.931 (6.2 bps)		

Treasury yields rose significantly over the course of the week on hotter than expected inflation readings and increased expectations for future rate hikes from the Federal Reserve. On Monday, February's preliminary reading of S&P Global Manufacturing PMI rose to 47.8, above last month's reading of 46.9 and expectations of 47.2. Stronger than expected economic data, such as Tuesday's reading, led Treasury yields to rise significantly across all maturity durations on Tuesday. Treasury yields then pulled back moderately in the middle of the week as the minutes from the Fed's most recent meeting did not show strong support for greater than a 25-basis-point rate hike in March. However, the minutes did show that every member of the Federal Open Market Committee supports ongoing rate increases to get inflation under control. Treasury yields then rose significantly again across all maturity levels on Friday after the January PCE inflation data was materially higher than expected. The Fed's preferred inflation gauge, the PCE Deflator, rose 5.4% in January, exceeding consensus expectations of 5.0%. Altogether, the market implied expectation for the Federal Funds Rate after the July meeting rose from 5.28% last week to 5.39% this week. Major economic reports (related consensus forecasts, prior data) for the upcoming week include Monday: January Prelim. Durable Goods Orders (-3.9%, 5.6%); Tuesday: February MNI Chicago PMI (45.0, 44.3), February Conf. Board Consumer Confidence (108.5, 107.1); Wednesday: February 24 MBA Mortgage Applications (n/a -13.3%), February Final S&P Global US Manufacturing PMI (47.8, 47.8), February ISM Manufacturing (48.0, 47.4); Thursday: February 24 Initial Jobless Claims (197k, 192k).

US Equities

Weekly Index Performance:		Market Indicators:	
DJIA:	32,816.92 (-2.97%)	Strong Sectors:	Energy, Materials, Consumer Staples
S&P 500:	3,970.04 (-2.66%)		
S&P Midcap:	2,600.68 (-2.44%)	Weak Sectors:	Consumer Discretionary, Comm Svc, Real Estate
S&P Smallcap:	1,247.72 (-2.70%)		
NASDAQ Comp:	11,394.94 (-3.31%)	NYSE Advance/Decline:	776 / 2,469
Russell 2000:	1,890.49 (-2.86%)	NYSE New Highs/New Lows:	136 / 78
		AAII Bulls/Bears:	21.6% / 38.6%

The S&P 500 Index is currently up 3.66% year-to-date, though last week's -2.66% return is its worst performing week in 2023. Equities rallied in January as the index rose 8.98% from the start of the year through February 2, as declining inflation readings and other economic indicators stirred hopes that the FOMC would slow their rate hikes. However, February 2 marked the index's closing high thus far in 2023 as the index reversed trajectory and has since declined 4.88%, posting three straight negative weeks. Equities have fallen under pressure the last three weeks as Federal Reserve officials have communicated their willingness and need to push interest rates up further to combat inflation. While inflation has declined from its peak, year-over-year January CPI came in higher than expected the previous week and Friday's release of year-over-year January PCE (Personal Consumption Expenditure) also came in higher than expected. This has increased the headwinds for equities as the Fed will most likely continue its aggressive stance with additional rate hikes, raising concerns for investors about resulting negative effects to the U.S. economy. U.S. initial jobless claims were reported at 192K last week, lower than the consensus estimate of 200K and the previous week's claims of 194K. Energy was the best performing sector in the S&P 500 Index last week gaining 17 basis points, with all other sectors posting negative returns. Energy stock **EQT Corp** was the best performing stock in the index last week, returning 11.14%. Other outperforming energy names included **Coterra Energy Inc.**, **Diamondback Energy Inc.**, and **Devon Energy Corp**. Chip maker **NVIDIA Corp** gained 8.87% last week as the company believes that AI will boost its business and increase revenue and growth according to the CEO. Consumer discretionary stock **Domino's Pizza Inc.** was the worst performing stock in the index last week, declining 16.76%. The company announced earnings on Thursday and cut their sales outlook for the next couple of years stating that their U.S. delivery business experienced significant pressure that was expected to continue. Earnings announcements expected this week include **Broadcom Inc.**, **Costco Wholesale Corp**, **Salesforce Inc.**, **Lowe's Companies Inc.**, **Target Corp**, **Occidental Petroleum Corp**, **Monster Beverage Corp**, **Sempra Energy**, **AutoZone Inc.**, and many more.