US Economy and Credit Markets

Yields and Weekly Changes:

3 Mo. T-Bill:	4.636 (-2.9 bps)	Bond Buyer 40 Yield:	4.31 (1 bps)
6 Mo. T-Bill:	4.815 (-0.3 bps)	Crude Oil Futures:	73.39 (-6.29)
1 Yr. T-Bill:	4.733 (8.9 bps)	Gold Spot:	1,864.97 (-63.07)
2 Yr. T-Note:	4.289 (9.0 bps)	Merrill Lynch High Yield Indices:	
3 Yr. T-Note:	3.954 (5.7 bps)	US High Yield:	7.99 (-20 bps)
5 Yr. T-Note:	3.659 (4.9 bps)	BB:	6.52 (-14 bps)
10 Yr. T-Note:	3.525 (2.1 bps)	B:	8.21 (-21 bps)
30 Yr. T-Bond:	3.614 (-0.5 bps)		

As expected, the Fed raised interest rates by 0.25% last week, slowing from its half-point increase in December. The move brings the Fed's target for its benchmark rate to a range of 4.5% to 4.75%. The Fed also signaled it would continue to raise rates to return inflation to its 2% target, despite acknowledging a recent slowdown in the inflation rate, or disinflation. So far, the Fed's efforts to rein in inflation by raising interest rates have not weakened the strong labor market. The jobs report released Friday showed the US added 517,000 jobs in January, significantly higher than expected, and the unemployment rate fell to 3.4%, a level last reached in 1969. The jobs report followed a report earlier in the week that showed there are about 11 million job openings in the US, near all-time highs and outnumbering the unemployment level by nearly 2-to-1, with job openings increasing at the end of 2022. However, Fed Chair Jerome Powell said inflation would not return to 2% without more balance in the labor market, and the latest readings do not suggest the Fed won't raise rates at its next meeting in late March. Additional economic data released last week showed continued contraction in manufacturing but resilience in the services sector. Major economic reports (related consensus forecasts, prior data) for the upcoming week include Tuesday: December Trade Balance (-$68.5b, -$61.5b); Wednesday: February 3 MBA Mortgage Applications (N/A, -9.0%); Thursday: February 4 Initial Jobless Claims (195k, 183k); Friday: February Preliminary U. of Mich. Sentiment (65.0, 64.9).

US Equities

Weekly Index Performance:		Market Indicators:	
DJIA:	33,926.01 (-0.15%)	Strong Sectors:	Comm. Services, Info Tech
S&P 500:	4,136.48 (1.64%)		Cons. Discretionary
S&P Midcap:	2,707.47 (3.4%)	Weak Sectors:	Health Care, Utilities
S&P Smallcap:	1,310.80 (5.02%)		Energy
NASDAQ Comp:	12,006.96 (3.33%)	NYSE Advance/Decline:	1,798/1,278
Russell 2000:	1,985.53 (3.9%)	NYSE New Highs/New Lows:	115/6
		AAII Bulls/Bears:	29.9%/34.6%

The S&P 500 rose 1.6% last week to record its fourth weekly gain in five. The month of January wrapped up on Tuesday with the index rising over 6% year to date while the tech-heavy Nasdaq 100 gained nearly 11%. January has been described as a rally of previous "losers and laggards" as several of the most broken business models saw their stocks rally over 100% including Peloton, Carvana, and Opendoor. Most of the attention of the week was on mega cap earnings and the Fed rate announcement on Wednesday. All of the FAANG names have now reported with Meta Platforms and Netflix faring the best and Apple, Amazon, and Alphabet missing estimates. Meta Platforms (**META**, +22.9%) was the second-best performer in the S&P 500 this week and had the highest contribution to the index return. Stocks rallied on Wednesday after Jerome Powell announced a widely expected 25bps hike. Powell reportedly dodged a question about the tight labor market and strong financial conditions which caused investors to believe that the Fed may act more dovish in 2023 than previously thought. Currently swap traders are pricing in another 1-2 hikes before expecting the Fed to begin cutting rates in the second half of the year. Communications Services was the best performing sector during the week, strongly propped up by the stellar performance of Meta. The worst performing sector was Energy as the price of oil fell nearly 8% this week. The two worst performing stocks in the S&P 500 this week were from the energy sector; ConocoPhillips (**COP**, -12.5%) and Hess Corp (**HES**, -12.0%). Rumors of Russia maintaining oil output in the face of EU price caps and ongoing concerns of global economic slowdown caused the commodity to sell off this week. The best performing stock in the S&P 500 was Align Technology (**ALGN**, 27.5%), which reported strong growth and bullish 2023 guidance for their Invisalign product despite widely held concerns over weakened consumer spending. As of the Friday close, exactly half of the S&P 500 companies have reported 4Q22 earnings with Utilities and Consumer Discretionary faring the best so far. Overall the current earnings season has been the weakest since 2020 although companies have still beaten sales and earnings estimates on average. Investors will continue to be watchful for any areas of weakening demand as they digest quarterly results from over one hundred more of the S&P 500 constituents in the week to come.