US Economy and Credit Markets

Yields and Weekly Changes:

3 Mo. T-Bill:	4.869 (2.9 bps)	Bond Buyer 40 Yield:	4.59 (-12 bps)
6 Mo. T-Bill:	5.046 (-6.5 bps)	Crude Oil Futures:	76.68 (-3.00)
1 Yr. T-Bill:	4.811 (-18.5 bps)	Gold Spot:	1,868.26 (11.78)
2 Yr. T-Note:	4.586 (-27.0 bps)	Merrill Lynch High Yield Indices:	
3 Yr. T-Note:	4.317 (-27.8 bps)	U.S. High Yield:	8.89 (27 bps)
5 Yr. T-Note:	3.965 (-28.1 bps)	BB:	7.43 (22 bps)
10 Yr. T-Note:	3.699 (-25.3 bps)	B:	9.06 (30 bps)
30 Yr. T-Bond:	3.707 (-16.9 bps)		

Treasury yields fell last week in a volatile week. On Tuesday, Fed Chair Jerome Powell said the Fed could speed up rate increases given stronger-than-expected economic data to start the year and raise rates more than expected as it wrestles with high inflation. Following the comments, the market changed its expectations for the most likely outcome at the Fed's March meeting from a single-rate hike to a double-rate hike. Powell also told Congress that the journey back to the Fed's 2% inflation target "has a long way to go and is likely to be bumpy." The two-year Treasury yield topped 5% on the news, reaching its highest level since 2007. The two-year yield also reached a full percentage point above the 10-year yield, the largest yield-curve inversion since 1981. An inverted yield curve, especially this deeply, is typically seen as a negative sign for future economic growth. Treasury yields then sharply reversed course later in the week. Yields fell in a flight to safety on news that SVB Financial Group, parent of Silicon Valley Bank, would need to raise capital after deposits fled the bank and the company sold a substantial portion of its investment portfolio at a loss. The news tempered bets that the Fed will speed up rate increases. Economic data released Friday showed jobs grew more than expected in February, but wage growth cooled. The wage data offered a further reprieve from the selling in government bonds and the jump in Treasury yields earlier in the week. Major economic reports (related consensus forecasts, prior data) for the upcoming week include Tuesday: February CPI MoM (0.4%, 0.5%), February CPI YoY (6.0%, 6.4%); Wednesday: February Retail Sales Advance MoM (-0.4%, 3.0%), March 10 MBA Mortgage Applications (N/A, 7.4%), February PPI Final Demand MoM (0.3%, 0.7%), March Empire Manufacturing (-8.0, -5.8); Thursday: March 11 Initial Jobless Claims (210k, 211k), February Housing Starts (1312k, 1309k); Friday: March Preliminary U. of Mich. Sentiment (67.0, 67.0), February Industrial Production MoM (0.4%, 0.0%), February Leading Index (-0.2%, -0.3%).

US Equities

Weekly Index Performance:		Market Indicators:	
DJIA:	31,909.64 (-4.34%)	Strong Sectors:	Consumer Staples, Utilities, Information Technology
S&P 500:	3,861.59 (-4.51%)		
S&P Midcap:	2,452,59 (-7.35%)	Weak Sectors:	Financials, Materials, Real Estate
S&P Smallcap:	1,172.34 (-7.63%)		
NASDAQ Comp:	11,138.89 (-4.68%)	NYSE Advance/Decline:	389 / 2,871
Russell 2000:	1,772.70 (-8.02%)	NYSE New Highs/New Lows:	177 / 236
		AAII Bulls/Bears:	24.8% / 41.7%

Stocks traded lower by 4.5%, measured by the S&P 500, last week after investors dealt with significant news throughout the week. On Tuesday, Federal Reserve Chair Jerome Powell said the central bank is ready to raise interest rates higher if recent signs of economic strength persist. His remarks, presented to the Senate Banking Committee, noted higher inflation and a strong job market as the drivers for higher and potentially quicker rate increases. On Thursday, President Biden released his budget proposal, the third of his presidency, outlining his commitment to American manufacturing as well as a $3 trillion new deficit reduction coming from tax increases on companies and high earners. Republicans will offer their version in the coming months and are expected to forego tax increases in favor of spending cuts to various federal programs. Friday's downward market action continued after trouble in the US banking sector came to light with Silicon Valley based lender **SVB Financial Group.** Volatility gripped the markets as SVB's customer base of tech startups pulled money out of the bank. This followed after **Silvergate Capital Corp** announced it was voluntarily liquidating its bank after pressure from depositors and regulators for its dealing with now-defunct crypto company **FTX**. SVB is now seeking a buyer after regulators closed its banking unit. Plans for a capital raise fell through earlier in the week when some venture capital firms advised their portfolio companies to pull money from the bank after it announced losses to its security portfolio. The interest rate volatility along with the turbulent banking news caused Financials stocks in the S&P 500 to trade lower by almost 9% last week, followed by other rate-sensitive sectors, Materials and Real Estate. Looking ahead to next week, CPI and PPI levels are set for release along with retail sales, housing data, and consumer sentiment.