US Economy and Credit Markets

Yields and Weekly Changes:

3 Mo. T-Bill:	4.613 (27.7 bps)	Bond Buyer 40 Yield:	4.41 (-5 bps)
6 Mo. T-Bill:	4.692 (9.0 bps)	Crude Oil Futures:	69.26 (+2.52)
1 Yr. T-Bill:	4.223 (8.9 bps)	Gold Spot:	1,978.21 (-11.04)
2 Yr. T-Note:	3.767 (-7.1 bps)	Merrill Lynch High Yield Indices:	
3 Yr. T-Note:	3.578 (-13.5 bps)	US High Yield:	8.96 (-5 bps)
5 Yr. T-Note:	3.408 (-9.3 bps)	BB:	7.35 (-9 bps)
10 Yr. T-Note:	3.376 (-5.2 bps)	B:	9.20 (-4 bps)
30 Yr. T-Bond:	3.644 (2.4 bps)		

Treasury yields continue to exhibit exceptional volatility for a 'risk-free' asset class as bond markets react to swiftly changing financial conditions driven by Bank balance sheets and changes to the Federal Reserves Fed Funds Rate. Last week, the Federal Reserve took up benchmark short-term interest rates 25 basis points, however, much attention was paid to the associated Fed Statement. In light of some banking institutions failing, the Fed noted that they view the U.S. banking system as 'sound' but that tighter credit will weigh on economic activity to an 'uncertain' degree. Further, the committee noted that 'additional policy firming may be appropriate.' It was an altogether hawkish statement at a highly uncertain period in the economic cycle. During the prior week, existing home sales were found to have risen 14.5% in February as mortgage rates saw a small decline in late 2022 and the first part of 2023. Existing home sales remain 22.6% below prior year levels. New single-family home sales also registered a small 1.1% increase for the month of February. Oil mounted a small rally after the greater than 10% decline experienced two weeks ago. Oil markets have witnessed surprising crude builds to start the year and a sentiment retrenchment on lowered economic expectations. Major economic reports (related consensus forecasts, prior data) for the upcoming week include Tuesday: March Conference Board Consumer Conference (101.0, 102.9); Wednesday: March 24 MBA Mortgage Applications (n/a, 3.0%); Thursday: March 25 Initial Jobless Claims (195k, 191k), 4Q T GDP Annualized QoQ (2.7%, unch.) Friday: February Personal Income (0.2%, 0.6%), February Personal Spending (0.3%, 1.8%), March MNI Chicago PMI (43.3, 43.6) and March Final University of Michigan Consumer Sentiment (63.4, unch.)

US Equities

Weekly Index Performance:		Market Indicators:	
DJIA:	32,237.53 (1.18%)	Strong Sectors:	Communication Services, Energy, Materials
S&P 500:	3,970.99 (1.41%)		
S&P Midcap:	2,404.16 (1.25%)	Weak Sectors:	Real Estate, Utilities, Consumer Discretionary
S&P Smallcap:	1,140.23 (0.58%)		
NASDAQ Comp:	11,823.96 (1.68%)	NYSE Advance/Decline:	1,808 / 1,385
Russell 2000:	1,734.92 (0.53%)	NYSE New Highs/New Lows:	83 / 401
		AAII Bulls/Bears:	20.9% / 48.9%

The S&P 500 Index returned 1.41% last week and is currently up 3.86% YTD with one week remaining in this volatile first quarter of 2023. The FOMC raised rates by 25 bps on Wednesday, putting pressure on equities as the index declined 1.64%. Equity investors focused on inflation and interest rates have also added the banking industry to their concerns. Banks have been under investor scrutiny for the last couple of weeks after the collapse of **Silicon Valley Bank**. The bank's holding company **SVB Financial Group** announced on March 8 that they would be offering $1.25 billion of common stock and revealed they would take a $1.8 billion loss after selling from their available for sale securities portfolio. The resulting bank run from its depositors ultimately led to the closing of the bank and the FDIC stepping in. Questions quickly began to grow concerning the number of unrealized losses on regional banks' books due to the fast rise in interest rates. The S&P 500 Regional Banks Sub-Industry Index is down 32.58% since March 8. Recent scrutiny has been placed on regional bank **First Republic Bank** which has similar clients as **Silicon Valley Bank** as well as a larger percentage of longer-term investments than shorter-term investments relative to their banking peers. **First Republic Bank** was the worst performing stock in the S&P 500 Index last week as the stock declined 46.33% and is down 89.25% since March 8. The US government has tried to restore confidence in the banking system with new backstops, but it is still unclear if all uninsured bank deposits are guaranteed by the US government. European banks have not been immune as the Swiss government helped facilitate a takeover of troubled bank **Credit Suisse Group AG** by rival **UBS Group AG** the previous weekend and Germany's **Deutsche Bank AG** stock was under pressure on Friday after a jump in credit default swaps linked to their debt. Biotechnology company **Regeneron Pharmaceuticals Inc.** was the best performing stock in the S&P 500 Index last week, returning 9.68%. The stock jumped on Thursday after good results were reported from trials on a drug to treat COPD which caused some analysts to raise their recommendations and price targets. Earnings announcements expected this week include **Micron Technology Inc.**, **Cintas Corp**, **Paychex Inc.**, **Walgreens Boots Alliance Inc.**, **McCormick & Company Inc.**, among others.