US Economy and Credit Markets

Yields and Weekly Changes:

3 Mo. T-Bill:	5.375 (-0.5 bps)	Bond Buyer 40 Yield:	4.34 (3 bps)
6 Mo. T-Bill:	5.323 (2.3 bps)	Crude Oil Futures:	81.04 (3.03)
1 Yr. T-Bill:	5.058 (13.3 bps)	Gold Spot:	2,155.90 (-23.05)
2 Yr. T-Note:	4.728 (25.4 bps)	Merrill Lynch High Yield Indices:	
3 Yr. T-Note:	4.507 (25.9 bps)	US High Yield:	7.93 (8 bps)
5 Yr. T-Note:	4.326 (27.9 bps)	BB:	6.66 (10 bps)
10 Yr. T-Note:	4.306 (23.1 bps)	B:	8.06 (8 bps)
30 Yr. T-Bond:	4.429 (17.6 bps)		

Treasury yields rose significantly over course of the week on concerns of higher inflation. The Fed Bank of New York survey released on Monday showed that US consumer expectations for inflation over the next 3 years climbed in February, causing Treasury yields to rise moderately. On Tuesday, inflation data was released and showed that the Consumer Price Index rose 0.4% MoM, in line with expectations, and 3.2% YoY, which was slightly above expectations of 3.1%. This added to investor speculation that inflation was not as tempered as previously thought and the Federal Reserve Bank may have to keep rates higher for longer, which led to yields rising moderately again on both Tuesday and Wednesday. Yields continued to rise at an even quicker pace on Thursday as the Producer Price Index increased 0.6% MoM and 1.6% YoY, materially above expectations of 0.3% and 1.2%, respectively. The Fed is expected to keep The Fed Funds Rate unchanged during the March 20th meeting, and the market implied probability of a rate increase sometime during the following 2 meetings dropped from 92.1% to 61.2% over the course of the week. The market implied rate at the end of 2024 rose from 4.376 to 4.608 as well. Major economic reports (related consensus forecasts, prior data) for the upcoming week include Tuesday: February Housing Starts (1425k, 1331k); Wednesday: March 15 MBA Mortgage Applications (n/a, 7.1%), March 20 FOMC Rate Decision (Upper Bound) (5.50%, 5.50%); Thursday: March 16 Initial Jobless Claims (215k, 209k), March Preliminary S&P Global US Manufacturing PMI (51.8, 52.2), February Leading Index (-0.2%m -0.4%), February Existing Home Sales (3.93m, 4.00m).

US Equities

Weekly Index Performance:		Market Indicators:	
DJIA:	38,714.77 (0.01%)	Strong Sectors:	Energy, Materials, Cons. Staples
S&P 500:	5,117.09 (-0.09%)		
S&P Midcap:	2,923.76 (-0.89%)	Weak Sectors:	Health Care, Cons. Discretionary Real Estate
S&P Smallcap:	1,287.74 (-1.70%)		
NASDAQ Comp:	15,973.17 (-0.68%)	NYSE Advance/Decline:	1,195 / 1,725
Russell 2000:	2,039.32 (-2.02%)	NYSE New Highs/New Lows:	459 / 87
		AAII Bulls/Bears:	45.9% / 21.9%

Last week, the S&P 500 index had a volatile week but closed roughly flat. Early in the week, equities rallied on strong wage and inflation numbers. However, these gains eroded on poor retail sales data. The energy sector was the top performing sector as the IEA put out expectations of crude draws thru the end of 2024. The news pushed WTI crude up over $80 a barrel for the first time since November. Concurrently, heightened energy demand drove the Nymex WTI crack spread- a metric indicative of refining profitability- to reach $33 for the first time since July 2023. As a result, notable gains were observed within the oil refining industry as **Valero Energy Corp** returned 9.5% last week, **Marathon Petroleum Corp.** returned 8.0% and **Phillips 66** returned 6.5%. The U.S. House or Representatives voted 352-65 to require TikTok owner ByteDance to divest of the social media company or face a ban of the company in the U.S. The rationale behind this action is rooted in the asymmetry of market access, wherein U.S. social media companies are barred from operating in China while Chinese-owned platforms are permitted in the U.S. In the event that the proposed legislation gains Senate approval, **Oracle Corp.** -the current host of TikTok's U.S. servers- stands as a potential acquirer of TikTok. This anticipation drove Oracle's shares to surge by 10.7% last week. **Adobe Inc.** returned -10.7% last week after announcing quarterly results that were in-line with expectations but forward-looking guidance disappointed shareholders. Despite the authorization of a $25b stock repurchase program, this initiative was insufficient to offset the impact of the tepid outlook presented by the company. Prospective economic indicators for the forthcoming week, notably Housing Permits, the Federal Open Market Committee (FOMC) rate decision, and Initial Jobless Claims, are anticipated to garner significant attention. We remain constructive on equity markets as long as the ongoing strength in the labor market and corporate earnings remain.