US Economy and Credit Markets

Yields and Weekly Changes:

3 Mo. T-Bill:	5.375 (2 bps)	Bond Buyer 40 Yield:	4.35 (-1 bps)
6 Mo. T-Bill:	5.281 (-4.1 bps)	Crude Oil Futures:	83.16 (+1.62)
1 Yr. T-Bill:	4.995 (-11.5 bps)	Gold Spot:	2,392.16 (+65.41)
2 Yr. T-Note:	4.604 (-14.9 bps)	Merrill Lynch High Yield Indices:	
3 Yr. T-Note:	4.395 (-15.5 bps)	US High Yield:	8.07 (5 bps)
5 Yr. T-Note:	4.225 (-15.2 bps)	BB:	6.64 (3 bps)
10 Yr. T-Note:	4.278 (-11.8 bps)	B:	7.97 (13 bps)
30 Yr. T-Bond:	4.477 (-8.1 bps)		

Following a spike on Monday, Treasury yields fell in every other trading session to finish the holiday-shortened week lower (only the 3-Month yield ticked higher). Economic releases throughout the week as well as comments from Federal Reserve Chairman Jerome Powell helped raise investor expectations around the likelihood of rate cuts by the end of the year. On Monday, the ISM Manufacturing Index declined to 48.5 in June, lagging the consensus expected 49.1. The index continued to fall deeper into contraction territory and has now contracted for nineteen out of the last twenty months after peaking in March of 2021. Wednesday's release of the May Trade Balance came in at $75.1 billion, smaller than the consensus expected $76.5 billion. Exports fell by $1.8 billion, led by civilian aircraft and nonmonetary gold while imports declined by $1.2 billion, led by pharmaceuticals and autos. Also on Wednesday, the June ISM Non-Manufacturing Index fell to 48.8, well below the consensus expected 52.7. The major measures of activity were all lower in June, and the abrupt decline is adding to the growing pile of evidence that the U.S. economy is running out of steam. Investors returned from the 4th of July holiday on Friday to the June Employment report which showed an increase of 206,000 nonfarm payrolls, narrowly beating the consensus expected 190,000. The unemployment rate also rose to 4.1% in June from 4.0% in May. Major economic reports (related consensus forecasts, prior data) for the upcoming week include Wednesday: July 5 MBA Mortgage Applications (N/A, -2.6%); Thursday: June CPI MoM (0.1%, 0.0%), June CPI YoY (3.1%, 3.3%), July 6 Initial Jobless Claims (239k, 238k); Friday: June PPI Final Demand MoM (0.1%, -0.2%), July Preliminary University of Michigan Sentiment (68.2, 68.2).

US Equities

Weekly Index Performance:		Market Indicators:	
DJIA:	39,375.87 (0.69%)	Strong Sectors:	Info. Tech, Comm. Services, Cons. Discretionary
S&P 500:	5,567.19 (1.98%)		
S&P Midcap:	2,895.80 (-1.15%)	Weak Sectors:	Industrials, Health Care, Energy
S&P Smallcap:	1,282.79 (-1.07%)		
NASDAQ Comp:	18,352.76 (3.51%)	NYSE Advance/Decline:	1,449 / 1,429
Russell 2000:	2,026.73 (-1.01%)	NYSE New Highs/New Lows:	218 / 124
		AAII Bulls/Bears:	41.7% / 26.1%

U.S. equities surged to record highs last week, capping a shortened trading period due to the 4th of July holiday. The S&P 500 index climbed 1.94% following positive economic data that signaled a moderating economic pace, furthering expectations of a Federal Reserve interest rate cut by year- end. Friday's non-farm payroll report revealed a slight increase in jobs, but downward revisions to prior data indicated higher likelihood moderating job growth. Notably, the unemployment rate rose to 4.1%, surpassing the 4% threshold for the first time since late 2021. This rise in unemployment, a lagging indicator, aligns with the Fed's expectations of rate cuts by year end. Anticipation of lower interest rates fueled a rally in long-duration tech+ stocks last week. Telsa Inc. led the surge with a 26% gain, followed by Apple (7.2%), Facebook's parent Meta Platforms (6.5%), Google's parent Alphabet Inc. (4.8%) and Microsoft (4.6%). Despite year-over-year declines, Tesla's positive auto delivery report exceeded bearish expectations, contributing significantly to its stock price increase. Paramount Global saw its shares jump 13.1% last week, after reaching an agreement to be acquired by Skydance. While a 45-day window remains for Paramount to solicit competing bids, this deal represents the most promising outcome for shareholders to date. Walgreens Boots Alliance Inc continued its downward trend, experiencing a 6.8% decline last week and reaching new 52-week lows. This follows the company's previous poor performance and subsequent dividend cut from $0.48 to $0.25 per quarter. The high debt load ($33.6b) relative to the company's market cap ($9.7b) and the current dividend yield of nearly 9% raise concerns about Walgreens' financial solvency. All eyes will be on the Consumer Price Index (CPI) announcement scheduled for next week, with an expected reading of 3.1%. This data point will likely influence market expectations regarding potential Fed rate cuts and could impact equity prices.