US Economy and Credit Markets

Yields and Weekly Changes:

3 Mo. T-Bill:	5.207 (3.3 bps)	Bond Buyer 40 Yield:	4.33 (10 bps)
6 Mo. T-Bill:	4.974 (13.6 bps)	Crude Oil Futures:	76.84 (3.32)
1 Yr. T-Bill:	4.481 (12.2 bps)	Gold Spot:	2,431.32 (-11.92)
2 Yr. T-Note:	4.053 (17.3 bps)	Merrill Lynch High Yield Indices:	
3 Yr. T-Note:	3.875 (16.8 bps)	U.S. High Yield:	7.85 (-4 bps)
5 Yr. T-Note:	3.796 (17.9 bps)	BB:	6.44 (-4 bps)
10 Yr. T-Note:	3.940 (14.9 bps)	B:	7.75 (-3 bps)
30 Yr. T-Bond:	4.219 (11.1 bps)		

Treasury yields rose significantly across the board over the course of a volatile week in the equity markets due to increased recession fears. Equity markets dropped significantly on Monday, as poor employment data from the previous week and international concerns with Japan and the value of the Yen led investors to speculate whether the Federal Reserve Bank was doing enough to aid the job market. During trading on Monday, the yield curve briefly un-inverted as the 10-year yield rose above the 2-year yield, before settling back below it. Yields rose significantly across the board on Tuesday as recession fears moderated and equites rebounded, leading investors to believe the Fed would not overreact hastily to Monday's sell-off. As equities rebounded the rest of the week, expectations for more aggressive rate cuts from the Fed tempered, especially after Initial Jobless Claims came in at 233k, which was slightly lower than consensus expectations of 240k, and a sequential drop from 249k last week. The market expects at least a 25-basis-point rate cut at the September Fed meeting and the market implied probability of a 50-basis-point rate cut ended the week at 54%, which was down from 76% at the beginning of the week. The market implied end of year Federal Funds Rate rose to 4.30 from 4.14 over the course of the week. Major economic reports (related consensus forecasts, prior data) for the upcoming week include: Tuesday: July PPI Final Demand MoM (0.2%, 0.2%) and YoY (2.3%, 2.6%); Wednesday: August 9 MBA Mortgage Applications (n/a, 6.9%), July CPI MoM (0.2%, -0.1%) and YoY (3.0%, 3.0%); Thursday: August Empire Manufacturing (-6.0, -6.6), July Advance Retail Sales MoM (0.3%, 0.0%), August 10 Initial Jobless Claims (236k, 233k), July Industrial Production MoM (-0.2%, 0.6%); Friday: July Housing Starts (1350k, 1353k), August Preliminary University of Michigan Sentiment (66.1, 66.4).

US Equities

Weekly Index Performance:		Market Indicators:	
The Dow®	39,497.54 (-0.56%)	Strong Sectors:	Industrials, Energy Comm. Services
S&P 500®	5,344.16 (-0.02%)		
S&P MidCap 400®	2,935.55 (-0.4%)	Weak Sectors:	Utilities, Cons. Discretionary Materials
S&P SmallCap 600®	1,336.33 (-1%)		
Nasdaq Composite®	16,745.30 (-0.17%)	NYSE Advance/Decline:	1,260 / 1,638
Russell 2000®	2,080.92 (-1.32%)	NYSE New Highs/New Lows:	186 / 280
		AAII Bulls/Bears:	40.5% / 37.5%

Stocks ended last week down 2 basis points, measured by the S&P 500, after a late week comeback made up for a volatile start to the week. The S&P 500 fell almost 3% last Monday while the VIX shot up about 65%. Worries of the Fed being late to cut rates after a few weak economic data points left the market on edge and a surprise rate hike from the Bank of Japan led to a full blown sell off. Japan's rate hike inadvertently put pressure on US assets as traders raced to unwind carry trades which involve borrowing in low yield currencies such as the Yen and investing in higher yield foreign assets. The top sector in the S&P 500 last week was the Industrials sector which returned 1.22%. The sector was led higher by **Axon Enterprise Inc** which finished the week up 24.85% after the public safety company beat earnings estimates and raised full year guidance well above analysts' expectations. The worst performing sector in the S&P 500 was the Materials sector which fell 1.68%. The sector was led lower by **Vulcan Materials** which fell 8.26% after the firm missed earnings estimates and reduced full year guidance due to poor weather impacting operating efficiencies in the first half of the year. Other notable earnings this week included **Uber Technologies** which rallied 16.19% after the ride hailing app posted strong operating results. The firm saw 71% growth year over year in adjusted EBITDA driven by growth in monthly active platform consumers and the frequency in which they use the app. Management also commented on Uber's opportunity regarding autonomous vehicles attempting to put away fears from earlier in the year that autonomous vehicles would be an existential threat to the platform. **Super Micro Computer** was the worst performer in the S&P 500 dropping 18.55%. The server company fell after revenue and EPS data came in softer than expected. The firm's revenue guidance was billions of dollars higher than Wall Street projections but the outlook for the topline wasn't enough to offset investors' worries about the long term profitability of the firm. Upcoming this week investors will look forward to both economic releases as well as earnings releases offering insights to the financial health of the consumer. On the economic front PPI and CPI are both released this week as well as University of Michigan Consumer Sentiment data. On the earnings front consumer facing firms such as **Home Depot** and **Walmart** report quarterly earnings.