

US Economy and Credit Markets			
Yields and Weekly Changes:			
3 Mo. T-Bill:	0.043 (1.5 bps)	GNMA (30 Yr) 6% Coupon:	111-02/32 (2.75%)
6 Mo. T-Bill:	0.051 (0.3 bps)	Duration:	3.88 years
1 Yr. T-Bill:	0.076 (unch.)	Bond Buyer 40 Yield:	3.41 (unch.)
2 Yr. T-Note:	0.266 (1.2 bps)	Crude Oil Futures:	74.05 (2.41)
3 Yr. T-Note:	0.473 (0.4 bps)	Gold Spot:	1,781.44 (17.28)
5 Yr. T-Note:	0.921 (4.7 bps)	Merrill Lynch High Yield Indices:	
10 Yr. T-Note:	1.524 (8.6 bps)	U.S. High Yield:	4.59 (-8 bps)
30 Yr. T-Bond:	2.149 (13.6 bps)	BB:	3.64 (-8 bps)
		B:	5.07 (-7 bps)

Treasury yields climbed significantly over the course of the week on increased inflation expectations and Federal Reserve speculation. Region Fed Presidents James Bullard and Rob Kaplan both said on Monday they expect inflation next year to be above the Fed's target. Investors were already speculating that the Fed may be more likely to end pandemic era policies sooner and these comments enforced the belief that rate hikes may come as early as late 2022. Fed Chairman Jerome Powell continued to give a very patient tune in congressional testimony on Tuesday, saying that one needs to be very humble about drawing signals for the economy from "such an unusual setting of reopening the economy" and maintained the belief that inflation pressures are transitory. On Wednesday, Regional Fed President Raphael Bostic joined Bullard in projecting the first rate hike to be in late 2022. President Biden and a bipartisan group of senators on Thursday announced the framework for a negotiated infrastructure deal of roughly \$1 trillion. Treasury yields jumped again on Friday as the personal-consumption expenditures report climbed at an annualized rate of 3.4%, which is the Fed's preferred inflation gauge. Major economic reports (related consensus forecasts, prior data) for the upcoming week include Tuesday: June Conf. Board Consumer Confidence (118.8, 117.2); Wednesday: June 25 MBA Mortgage Applications (n/a, 2.1%), June ADP Employment Change (510k, 978k), June MNI Chicago PMI (69.9, 75.2); Thursday: June 26 Initial Jobless Claims (380k, 411k), June Final Markit US Manufacturing PMI (62.6, 62.6), May Construction Spending (0.5%, 0.2%), June ISM Manufacturing (61.1, 61.2); Friday: June Change in Nonfarm Payrolls (690k, 559k), June Unemployment Rate (5.7%, 5.8%), May Trade Balance (-\$71.0b, -\$68.9b), May Factory Orders (1.3%, -0.6%), May Final Durable Goods Orders (n/a, 2.3%).

US Equities			
Weekly Index Performance:		Market Indicators:	
DJIA:	34,483.94 (3.44%)	Strong Sectors:	Energy, Financials, Industrials
S&P 500:	4,282.35 (2.76%)	Weak Sectors:	Cons. Staples, Real Estate, Utilities
S&P Midcap:	2,728.01 (4.39%)	NYSE Advance/Decline:	2,588 / 899
S&P Smallcap:	1,388.76 (4.39%)	NYSE New Highs/New Lows:	452 / 58
NASDAQ Comp:	14,359.92 (2.36%)	AAll Bulls/Bears:	40.4% / 23.3%
Russell 2000:	2,346.24 (4.33%)		

Equity markets closed near all-time highs after a broad rally lifted all 11 GICS sectors higher for the S&P 500 index. Cyclical rallied the most as positive economic data from GDP, jobs, consumer sentiment, durable goods, personal income, and personal spending all continue to confirm the strength of the US economy. Energy was the top sector after West Texas Intermediate crude oil prices rallied more than 3.2% rebounding from soft pricing the week before. Strong economic data also heightened interest rates as the yield on the 10-year rallied 8bps and the 2year 10year spread steepened helping to rally Financials as the second-best performing sector. Banking stocks rallied on Friday after the Fed released the results of their stress test, which all banks passed. The S&P 500 Banking index rallied 1.56% after the Fed took a step further and released the participating financial institutions from the additional COVID-19 restrictions that were imposed last year. In total banks could return more than \$140b to shareholders. **Eli Lilly & Co.** rallied 7.31% on Thursday after their experimental drug for Alzheimer's gained breakthrough status from the FDA. **Biogen Inc.**, which had its breakthrough Alzheimer's drug two weeks ago, fell 10.42% last week as more competition in the space quelled enthusiasm. **Splunk Inc.** rallied 9.41% last week after global technology investment firm Silver Lake announced a \$1b convertible note investment which the company will use for growth and share buybacks. **Nike Inc.** rallied 15.53% on Friday after announcing quarterly revenue and earnings that surpassed analyst expectations. The apparel maker credited their direct to consumer sales strategy as a key driver in profit growth, which led them to increase their full year guidance. Looking ahead to next week, the 2<sup>nd</sup> quarter closes next Wednesday and if the 8.11% gain holds on the S&P 500 index it would mark the 5<sup>th</sup> quarter in a row of gains and a total return of 69.01% since 3/31/2020.

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