

US Economy and Credit Markets			
Yields and Weekly Changes:			
3 Mo. T-Bill:	0.003 (-1.3 bps)	GNMA (30 Yr) 6% Coupon:	112-02/32 (2.51%)
6 Mo. T-Bill:	0.023 (-0.3 bps)	Duration:	3.90 years
1 Yr. T-Bill:	0.048 (-0.8 bps)	Bond Buyer 40 Yield:	3.46 (1 bps)
2 Yr. T-Note:	0.158 (0.1 bps)	Crude Oil Futures:	63.58 (1.44)
3 Yr. T-Note:	0.330 (-0.3 bps)	Gold Spot:	1,769.13 (-8.07)
5 Yr. T-Note:	0.846 (3.0 bps)	Merrill Lynch High Yield Indices:	
10 Yr. T-Note:	1.626 (6.8 bps)	U.S. High Yield:	4.81 (5 bps)
30 Yr. T-Bond:	2.297 (6.3 bps)	BB:	3.85 (6 bps)
		B:	5.20 (5 bps)

The Federal Reserve met last Wednesday and left interest rates near zero and made no change to the pace of asset purchases. Of note, the Chairman commented that he did observe some “frothiness” in the equity markets but he largely attributed this to increased economic activity as a result of vaccinations. He also noted that it seemed unlikely, to him, that inflation should move persistently high while the labor market still has any significant slack. These comments and actions suggest that the Federal Reserve continues to intend holding rates unchanged for the foreseeable future and does not intend to slow asset purchases in the near term. On Thursday of last week Real GDP was recorded growing at a 6.4% annual rate in Q1. The GDP price index increased at a 4.1% annual rate for the first quarter, up 1.9% from a year ago. Major economic reports (related consensus forecasts, prior data) for the upcoming week include Monday: April final Markit US Manufacturing PMI (60.7, 60.6), March Construction Spending MoM (1.8%, -0.8%) and April ISM Manufacturing (65.0, 54.7); Tuesday: March Trade Balance (-\$74.5B, -\$71.1B), March Factory Orders (1.4%, -0.8%) and March final Durable Goods Orders (N/A, 0.5%); Wednesday: April 30 MBA Mortgage Applications (N/A, -2.5%) and April ADP Employment Change (875K, 517K); Thursday: May 1 Initial Jobless Claims (540K, 553K); Friday: April Change in Nonfarm Payrolls (975K, 916K), April Unemployment Rate (5.7%, 6.0%) and March final Wholesale Inventories MoM (1.4%, 1.4%).

US Equities			
Weekly Index Performance:		Market Indicators:	
DJIA:	33,874.85 (-0.50%)	Strong Sectors:	Energy, Comm Serv, Financials
S&P 500:	4,181.17 (+.04%)	Weak Sectors:	Info Tech, Health Care, Cons Staples
S&P Midcap:	2,725.15 (-0.73%)	NYSE Advance/Decline:	1,761 / 1,672
S&P Smallcap:	1,345.54 (-0.33%)	NYSE New Highs/New Lows:	804 / 78
NASDAQ Comp:	13,962.68 (-0.38%)	AAII Bulls/Bears:	42.6% / 25.7%
Russell 2000:	2,266.45 (-0.23%)		

Equities ended the week mixed as stellar earnings reports resulted in muted reactions. In addition, many investors fear rising COVID-19 cases in India, Brazil and other countries could lead to reduced global growth. By contrast, the U.S. economy is gaining steam with the U.S. economy growing by 6.4% in the first quarter and U.S. weekly jobless claims falling to their lowest level since the pandemic began. The Federal Reserve signaled they will remain accommodative, while noting the labor market and economy are strengthening. Earnings this week were highlighted by big technology firms, which handily beat estimates. However, price reactions were mixed as difficult comparisons and rising valuations led some traders to take profits. **Apple Inc.** topped expectations by over 40% on strength in iPhones, Macs, and iPads. A seasonally late cycle refresh in handsets and consumer shifts to work and learn from home benefited the world's largest company. Despite beating expectations with 38% bookings growth, shares of **Microsoft Corp.** fell on conservative guidance. Both **Alphabet Inc.** and **Facebook Inc.** saw a surge in digital advertising that led to blowout quarters for both internet giants. In other earnings news, **United Parcel Service Inc.** beat expectations on continued strength in packages and **PulteGroup Inc.** posted strong results on better-than-expected gross margins. While equity markets failed to keep an upward trajectory, a pause could be healthy as fundamentals catch up to market movement. Easy money, lower market volatility, strong fundamentals, continued stimulus, and a reopening of the economy could lead to further market gains.

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