

US Economy and Credit Markets			
Yields and Weekly Changes:			
3 Mo. T-Bill:	4.292 (1.8 bps)	Bond Buyer 40 Yield:	4.40 (-5 bps)
6 Mo. T-Bill:	4.272 (-1.9 bps)	Crude Oil Futures:	73.96 (3.36)
1 Yr. T-Bill:	4.166 (-1.8 bps)	Gold Spot:	2,640.22 (18.82)
2 Yr. T-Note:	4.279 (-4.7 bps)	Merrill Lynch High Yield Indices:	
3 Yr. T-Note:	4.319 (-4.7 bps)	US High Yield:	7.58 (-3 bps)
5 Yr. T-Note:	4.412 (-4.9 bps)	BB:	6.52 (-4 bps)
10 Yr. T-Note:	4.598 (-2.7 bps)	B:	7.65 (unch.)
30 Yr. T-Bond:	4.811 (-0.6 bps)		

Treasury yields fell across the board last week as inflation data led traders to renew their expectations for additional rate cuts by July. The Producer Price Index increased by 0.2% in December, coming in below the consensus expected increase of 0.4%. Producer prices are up 3.3% versus a year ago. The increase was driven by energy prices, which jumped 3.5% in December due to a 9.7% surge in gasoline prices, while food prices declined by 0.1% following a jump in November. Consumer prices met consensus expectations on Wednesday, increasing 0.4% in December (+4.8% annualized) with core prices decelerating for the first time in six months, falling to 0.2% from 0.3% in the prior month. The CPI data provided some relief after the prior week's stronger-than-expected employment data, causing yields to fall across the board, with the 10-year note decreasing by 16 basis points. Retail sales increased by 0.4% in December on Thursday but missed consensus expectations of 0.6%. Sales were primarily led by a 0.7% increase in autos, which followed jumps of 3.1% and 2.2% in the previous two months. Auto sales were up 8.4% in 2024, the biggest advance for a calendar year since 2021. Housing starts finished 2024 on a strong note, surging by 15.8% in December to a 1.499 million annual rate, easily beating the consensus expected 1.327 million. Starts are down by 4.4% compared to a year ago. The gain in starts was broad-based, with increases in both single-family and multi-family units. Major economic reports (related consensus forecasts, prior data) for the upcoming shortened week include Wednesday: January 17<sup>th</sup> MBA Mortgage Applications (N/A, 33.3%), December Leading Index (-0.1%, 0.3%); Thursday: January 18<sup>th</sup> Initial Jobless Claims (220k, 217k); Friday: January Preliminary S&P Global US Manufacturing PMI (49.9, 49.4), January Final University of Michigan Sentiment (73.2, 73.2), December Existing Home Sales (4.20m, 4.15m).

US Equities			
Weekly Index Performance:		Market Indicators:	
The Dow®	43,487.83 (3.69%)	Strong Sectors:	Energy, Financials
S&P 500®	5,996.66 (2.93%)		Materials
S&P MidCap 400®	3,239.76 (4.54%)	Weak Sectors:	Comm. Services, Cons. Staples
S&P SmallCap 600®	1,441.99 (4.36%)		Health Care
Nasdaq Composite®	19,630.20 (2.45%)	NYSE Advance/Decline:	2,347 / 494
Russell 2000®	2,275.88 (3.97%)	NYSE New Highs/New Lows:	238 / 285
		AAll Bulls/Bears:	25.4% / 40.6%

The S&P 500 returned 2.93% last week with every sector rising, led by cyclicals such as Energy, Financials, and Materials. Commodity-sensitive sectors such as materials and energy moved higher in a week where China announced higher-than-expected GDP growth of 5.4% in 4Q24. Materials were led by two names in the Chemicals industry, **Albermarle Corp.** and **Celanese Corp.**, which rose 12.67% and 11.69%, respectively. Regarding the Energy sector, oilfield servicer **Schlumberger Ltd.** beat analyst revenue expectations and announced a \$2.3 billion stock buyback, rising 12.84% over the week and lifting other Energy Equipment & Services industry names **Halliburton** and **Baker Hughes** along with it. The Financials sector rose as banks, including **Citigroup** and **Wells Fargo**, reported strong 4Q24 earnings. In other news, inflation seemed to cool as PPI Final Demand for December came in at 0.2%, lower than the expected 0.4%. Core CPI for December was 0.2% when 0.3% was expected. Retail sales for December rose 0.4%, below the expected 0.6% figure. Housing starts were 1499k in December, above the 1327k expected, a 15.8% month over month increase. Upcoming this week there will be plenty of news for investors to digest; on the economic front, MBA mortgage applications, S&P Global US manufacturing PMI, and sentiment data from the University of Michigan. On the earnings front, 40 members of the S&P 500 are expected to announce quarterly earnings next week, among which include **Proctor and Gamble**, **Netflix**, **Johnson & Johnson**, and **American Express**.

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