First Trust

Weekly Market Commentary

Week Ended August 19, 2016

US Economy and Credit Markets

Yields and Weekly Changes:

3 Mo. T-Bill:	0.26 (+01 bps)	GNMA (30 Yr) 6% Coupon:	114-08/32 (1.36%)
6 Mo. T-Bill:	0.44 (+03 bps)	Duration:	3.89 years
1 Yr. T-Bill:	0.58 (+05 bps)	Bond Buyer 40 Yield:	3.75 (-03 bps)
2 Yr. T-Note:	0.75 (+04 bps)	Crude Oil Futures:	48.52 (+2.85)
3 Yr. T-Note:	0.87 (+05 bps)	Gold Spot:	1,340.40 (+4.60)
5 Yr. T-Note:	1.16 (+07 bps)	Merrill Lynch High Yield Indices:	
10 Yr. T-Note:	1.58 (+07 bps)	U.S. High Yield:	6.78% (-10 bps)
30 Yr. T-Bond:	2.29 (+06 bps)	BB:	4.85% (-06 bps)
		B:	6.74% (-13 bps)

Treasury prices slumped on Friday after John Williams, a Federal Reserve regional chief, noted a rate hike was "in play" for the September meeting. Following his comments yields spiked and the dollar rose; but stocks did not. Also speaking out last week was William Dudley who told the Fox Business Network that it's possible that a rate hike could occur as early as the mid-September policy meeting. Wednesday and Thursday had seen Treasuries, stocks and oil prices all improve amid positive economic data. Oil entered a bull market as investors responded to speculation that OPEC would discuss a potential output freeze. Tuesday saw a bevy of reports and some good economic news. Housing starts rose 2.1% in July representing an increase of 5.6% over the prior year. July industrial production was shown to increase .7% in July which was ahead of consensus estimates. While the CPI was unchanged for July, matching expectations, it is up .8% versus a year prior and the "core" CPI (excludes food and energy) is up 2.2% versus a year ago. Thursday saw the release of the prior week Jobless Claims report which was better than expected. Last week ended with the July US Index of Leading Economic Indicators also coming in better than expected at .4%. Major economic reports (and related consensus forecasts) for the upcoming week include: Tuesday: July New Home Sales (577K, -15K); Wednesday: Aug 19 MBA Mortgage Applications, July Existing Home Sales (5.5M, -.7M); Thursday: Aug 20 Initial Jobless Claims (265K, +3K) and preliminary July Durable Goods Orders (3.5%, +7.4%); Friday: preliminary July Wholesale Inventories, QoQ Annualized GDP (1.1%, -.1%) and the University of Michigan Sentiment survey (90.7, +.3)

US Equities

Weekly Index Performance:		Market Indicators:	
DJIA:	18,552.57 (0.02%)	Strong Sectors:	Energy, Materials, Industrials
S&P 500:	2,183.87 (0.06%)		
S&P Midcap:	1,562.80 (0.36%)	Weak Sectors:	Telecommunication Services, Utilities, Cons Discretionary
S&P Smallcap:	748.85 (0.66%)		
NASDAQ Comp:	5,238.38 (0.16%)	NYSE Advance/Decline:	1,666 / 1,447
Russell 2000:	1,236.77 (0.59%)	NYSE New Highs/New Lows:	410 / 25
		AAII Bulls/Bears:	35.6% / 26.4%

Last week the S&P 500 Index moved within a 25 point range but closed flat for the week with a 6 basis point return. The index is currently up 8.39% for 2016 and 0.67% for the month of August. The index started the week in positive territory returning 0.29% on Monday and posting a new all-time closing high of 2,190.15. Materials and industrials showed strength while utilities and telecommunication services were the weakest sectors in the trading day. Equity markets soured on Tuesday on mixed economic data and weakness in foreign markets. Housing starts increased, building permits declined and the US Consumer Price Index came in flat for July. The S&P 500 Index posted a -0.53% return, the worst performance for the week with energy being the only positive sector for the day. Utilities showed strength on Wednesday with most sectors in the green and little economic news to digest. While the index gapped down at the open, it reversed early and climbed the remainder of the day returning 0.21%. July Federal Open Market Committee meeting minutes were released and indicated little urgency for a rate hike. On Thursday, equities moved up slightly returning 0.22% with energy and utilities outperforming other sectors. US initial jobless claims of 262K were lower than the consensus estimate of 265K and lower than the previous week's 266K. Stocks opened down on Friday as European markets showed weakness. The S&P 500 Index climbed back throughout the day, but was cut short from even returning -0.13%. Crude oil closed the week at $48.52 a barrel, increasing 9.06% from the previous week's close. Five of the ten economic sectors had positive performance for the week. The energy sector was the best performing sector with a 2.16% return. The materials and industrials sectors followed with 1.28% and 0.78% returns, respectively. The telecommunications services sector's -3.84% return was the worst performance of all the sectors and was followed by utilities and consumer discretionary which returned -1.26% and -0.67%, respectively. **Urban Outfitters Inc.**, an operator of fashion and accessory retail stores, turned in the best performance in the S&P 500 Index with a 23.36% gain. The next two best performers were **NetApp Inc.** and **Chesapeake Energy Corp.** with returns of 22.00% and 21.31%, respectively.