

US Economy and Credit Markets			
Yields and Weekly Changes:			
3 Mo. T-Bill:	1.07 (+01 bps)	GNMA (30 Yr) 6% Coupon:	113-03/32 (1.94%)
6 Mo. T-Bill:	1.24 (+03 bps)	Duration:	4.06 years
1 Yr. T-Bill:	1.39 (+06 bps)	Bond Buyer 40 Yield:	4.00 (-02 bps)
2 Yr. T-Note:	1.49 (-01 bps)	Crude Oil Futures:	51.45 (+2.16)
3 Yr. T-Note:	1.63 (-01 bps)	Gold Spot:	1,303.82 (+27.14)
5 Yr. T-Note:	1.90 (-06 bps)	Merrill Lynch High Yield Indices:	
10 Yr. T-Note:	2.27 (-09 bps)	U.S. High Yield:	6.01 (+02 bps)
30 Yr. T-Bond:	2.81 (-09 bps)	BB:	4.54 (+02 bps)
		B:	6.11 (unch.)

The yield curve flattened during a busy week that included the release of Fed minutes and inflation data, strong demand for 30-year bonds, and heightened geopolitical risk. The release of the Fed minutes on Wednesday showed that Fed officials believe they will raise short-term interest rates one more time in 2017. Following the release, the spread between the 5-year and 30-year Treasuries narrowed to its lowest level since 2007. On Thursday, strong demand for the Treasury Department's \$12 billion auction of 30-year bonds pushed longer-term yields lower. The bid-to-cover ratio, measuring the number of bids received to the number of bids accepted, was 2.53, which was the highest since September 2015. An earthquake-like event in North Korea, possibly related to a nuclear test, also increased demand for U.S. government bonds. Treasury prices rose again on Friday on softer-than-expected inflation data. The data showed that the Consumer Price Index (CPI) rose 0.5% in September, below the consensus estimate of 0.6%, mostly due to the hurricane-related increase in gasoline prices. The monthly gain was the largest since January when the CPI rose 0.6%. Retail sales were also affected by Hurricanes Harvey and Irma, increasing 1.6% in September. Sales of automobiles, building materials, and gasoline all surged in September. Major economic reports (related consensus forecasts; prior data) for the upcoming week include Monday: October Empire Manufacturing (20.5, 24.4); Tuesday: September Industrial Production (0.2%, -0.9% MoM); Wednesday: October 13 MBA Mortgage Applications (-2.1% prior), September Housing Starts (1,175k, 1,180k); Thursday: October 14 Initial Jobless Claims (240k, 243k), September Leading Index (0.1%, 0.4%), October Philadelphia Fed Business Outlook (22.0, 23.8); Friday: September Existing Home Sales (5.30m, 5.35m).

US Equities			
Weekly Index Performance:		Market Indicators:	
DJIA:	22,871.72 (0.43%)	Strong Sectors:	Cons. Staples, Utilities
S&P 500:	2,553.17 (0.17%)		Info Tech
S&P Midcap:	1,818.82 (0.04%)	Weak Sectors:	Health Care, Financials
S&P Smallcap:	908.37 (-0.72%)		Telecom
NASDAQ Comp:	6,605.80 (0.24%)	NYSE Advance/Decline:	1,794 / 1,239
Russell 2000:	1,502.66 (-0.49%)	NYSE New Highs/New Lows:	472 / 68
		AAII Bulls/Bears:	39.8% / 26.9%

Another week, another all-time high for equities. The S&P 500 closed last week at 2,553, which was a 0.17% gain. This marked the fifth week in a row that the index has closed at a weekly all-time high. As the 'Trump Trade' nears its 1 year anniversary, the S&P 500 has a price return of 19.3% and a dividend reinvested total return of 21.6% since November 8<sup>th</sup> 2016. The aggregate market cap of the S&P 500 on election night was \$18.5t and closed last week at \$21.9t, a gain of \$3.4t in market cap from 500 of the largest U.S. companies. To put that in perspective, assuming current population of the U.S. is ~323m people, the additional market cap gained since the election by S&P 500 is more than \$10,000 for every man woman and child in America. This helps to explain last weeks Consumer Confidence number, as measured by the University of Michigan, of 116.4, the highest level since November of 2000. **Wal-Mart Stores Inc.** was up 9.6% last week on news that growth in their e-commerce business is expected to be 40% over the next year, they have plans to open hundreds of new stores internationally and a \$20b share buyback. **AT&T Inc.** had a -7.5% return for the week as they announced slow handset upgrades and speculation that there could be anti-trust delays from the DOJ on their potential **Time Warner Inc.** acquisition. **Kroger Inc.** announced they are looking towards shedding some assets, like their convenience store business, as they may be more valuable outside of the company. Kroger has a -30% return year-to-date as competition remains hot in the traditional grocery store business. Looking ahead to next week, earnings season begins in earnest as 58 of the S&P 500 components are expected to announce financials from last quarter.

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