

| US Economy and Credit Markets |                |                                   |                   |
|-------------------------------|----------------|-----------------------------------|-------------------|
| Yields and Weekly Changes:    |                |                                   |                   |
| 3 Mo. T-Bill:                 | 1.10 (+04 bps) | GNMA (30 Yr) 6% Coupon:           | 112-08/32 (2.20%) |
| 6 Mo. T-Bill:                 | 1.26 (+02 bps) | Duration:                         | 4.09 years        |
| 1 Yr. T-Bill:                 | 1.41 (+03 bps) | Bond Buyer 40 Yield:              | 3.99 (-01 bps)    |
| 2 Yr. T-Note:                 | 1.58 (+08 bps) | Crude Oil Futures:                | 51.47 (+0.02)     |
| 3 Yr. T-Note:                 | 1.71 (+08 bps) | Gold Spot:                        | 1,280.47 (-23.35) |
| 5 Yr. T-Note:                 | 2.02 (+12 bps) | Merrill Lynch High Yield Indices: |                   |
| 10 Yr. T-Note:                | 2.38 (+11 bps) | U.S. High Yield:                  | 5.95 (-06 bps)    |
| 30 Yr. T-Bond:                | 2.90 (+09 bps) | BB:                               | 4.51 (-03 bps)    |
|                               |                | B:                                | 6.04 (-07 bps)    |

Yields climbed across the curve last week on stronger than expected economic data and expectations for tighter monetary policy. Rates began to rise Monday after Fed Chair Yellen commented that the strength of the economy warrants gradual rate increases, despite a weaker inflation report the prior Friday. The implied probability of a December hike has risen to 83.6%, according to Bloomberg data. The market was captivated by the candidates which President Trump interviewed throughout the week to fill the Fed Chair position when Yellen's tenure ends in February. Stanford University economist John Taylor is now considered a strong contender and is viewed as the most hawkish candidate due to his 'Taylor rule' which indicates interest rates should be much higher. President Trump is expected to select his nomination by next week. Although it is projected to be only temporary, economic data continues to show a slight drag from the recent hurricane disruptions. Industrial production growth was trimmed by an estimated 0.25% due to hurricanes Harvey and Irma, however, the report showed an increase in the production of consumer goods and output in business equipment and construction. US factory production rose for the first time since June and economists expect consumer and business demand to keep manufacturing expanding steadily. Weekly jobless claims plunged to the lowest level since March 1973, Labor Department data showed, partially attributed to workers returning to work in hurricane affected areas. Major economic reports (related consensus forecasts; prior data) for the upcoming week include Tuesday: Markit US Manufacturing PMI (53.2, 53.1); Wednesday: September Durable Goods Orders (1.0%, 2.0%), September New Home Sales (555k, 560k); Thursday: October 21 Initial Jobless Claims (235k, 222k), September Wholesale Inventories MoM (--, 0.9%); Friday: GDP Annualized QoQ (2.6%, 3.1%) and University of Michigan Sentiment (101.0, 101.1).

| US Equities               |                   |                          |                                       |
|---------------------------|-------------------|--------------------------|---------------------------------------|
| Weekly Index Performance: |                   | Market Indicators:       |                                       |
| DJIA:                     | 23,328.63 (2.04%) | Strong Sectors:          | Financials, Utilities, Health Care    |
| S&P 500:                  | 2,575.21 (0.88%)  | Weak Sectors:            | Consumer Staples, Real Estate, Energy |
| S&P Midcap:               | 1,834.29 (0.87%)  | NYSE Advance/Decline:    | 1,623 / 1,433                         |
| S&P Smallcap:             | 913.75 (0.61%)    | NYSE New Highs/New Lows: | 467 / 93                              |
| NASDAQ Comp:              | 6,629.05 (0.36%)  | AAII Bulls/Bears:        | 37.9% / 27.9%                         |
| Russell 2000:             | 1,509.25 (0.45%)  |                          |                                       |

The S&P 500 Index continued its climb as it posted new closing highs every day of last week and closed at 2,575.21 on Friday. The index returned 0.88% last week, is up 2.31% for October and 16.88% YTD. The Dow Jones Industrial Average also set a record last week as it broke through the 23,000 point level. Equities received a boost late in the week after a \$4 trillion budget resolution was passed by the Senate, increasing investors' tax reform expectations. In economic news, the US Empire State Manufacturing Survey jumped to 30.2, beating the consensus of 20.4 and recording the highest level since September 2014. US initial jobless claims of 222K were much lower than the consensus estimate of 240K and the previous week's 244K. Crude oil prices increased early in the week, but saw weakness on Thursday and closed near even for the week, climbing \$0.02 to \$51.47 per barrel. With third quarter earnings season well underway, many stocks saw jumps in their prices. **WW Grainger Inc.**, a distributor of industrial products, showed the best performance for the week in the S&P 500 Index with a 14.78% return. The stock jumped 12.65% on Tuesday after beating earnings estimates. **Adobe Systems Inc.**, a developer and marketer of digital media software products, leaped 12.24% on Thursday after announcing an increase in their 2018 fiscal year preliminary guidance. **IBM Corp.**, a provider of computer products and services, returned 10.18% last week. The stock jumped on Wednesday after beating earnings estimates and forecasting a sales increase. Next week's earnings news comes from **Alphabet Inc.**, **Microsoft Corp.**, **Amazon.com Inc.**, **Exxon Mobil Corp.** and many others.

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