First Trust

Weekly Market Commentary

Week Ended November 3rd, 2017

US Economy and Credit Markets

Yields and Weekly Changes:

3 Mo. T-Bill:	1.17 (+08 bps)	GNMA (30 Yr) 6% Coupon:	112-25/32 (2.10%)
6 Mo. T-Bill:	1.29 (+02 bps)	Duration:	4.01 years
1 Yr. T-Bill:	1.46 (+05 bps)	Bond Buyer 40 Yield:	3.96 (-07 bps)
2 Yr. T-Note:	1.61 (+03 bps)	Crude Oil Futures:	55.64 (+1.74)
3 Yr. T-Note:	1.73 (+01 bps)	Gold Spot:	1,269.91 (-3.44)
5 Yr. T-Note:	1.99 (-04 bps)	Merrill Lynch High Yield Indices:	
10 Yr. T-Note:	2.33 (-07 bps)	U.S. High Yield:	6.03 (+06 bps)
30 Yr. T-Bond:	2.81 (-11 bps)	BB:	4.55 (+02 bps)
		B:	6.08 (+08 bps)

Yields rose last week on the back of earnings reports, strong economic data and Trump's indication that he will nominate Jerome Powell to chair the Federal Reserve. He is generally considered a governor who will favor dovish monetary policy and largely extend much of what Janet Yellen has done. Last week had many economic reports in conjunction with major equity earnings releases. On Monday, personal income rose 0.4% in September, matching consensus expectations. Of note, incomes have risen 3% for the past year but spending has risen faster to 4.4% as costs to recover from hurricane damages have taken hold. The ISM Manufacturing numbers released on Wednesday were expansionary at 58.7 for October, but were below expectations. The third quarter nonfarm productivity report was released on Thursday and showed productivity increasing 3%, at an annual rate even as the manufacturing sector productivity fell at a 5% annual rate. Friday showed the trade deficit at $43.5 billion for September and expanding over the year as Americans are importing more goods faster than growing exports. Finally, Friday's prior month nonfarm payrolls were below expectations but the unemployment rate continued to decline to 4.1%. Major economic reports (related consensus forecasts; prior data) for the upcoming week include Wednesday: Prior week MBA mortgage applications; Thursday: Nov 4 Initial Jobless Claims (232k, 229k) and September wholesale inventories: (.3%, unch.); Friday: November University of Michigan sentiment (100.5, 100.7).

US Equities

Weekly Index Performance:			Market Indicators:	
DJIA:	23,539.19	(+0.45%)	Strong Sectors:	Information Technology, Energy, Real Estate
S&P 500:	2,587.84	(+0.29%)		
S&P Midcap:	1,835.98	(-0.14%)	Weak Sectors:	Telecom, Consumer Discretionary, Industrials
S&P Smallcap:	900.88	(-1.67%)		
NASDAQ Comp:	6,764.43	(+0.96%)	NYSE Advance/Decline:	1,518 / 1,559
Russell 2000:	1,494.91	(-0.87%)	NYSE New Highs/New Lows:	434 / 186
			AAII Bulls/Bears:	45.1% / 28.6%

The S&P 500 posted its eight straight weekly gain, fueled by a slew of strong earnings reports and the release of the House Republican's tax plan. In addition, President Donald Trump nominated Federal Reserve governor Jerome Powell to be the next chairman of the Federal Reserve, as expected. In technology earnings, **Apple Inc.** shares hit a record high after reporting its best quarterly growth in two years on strong sales of iPhones, iMacs, and services. **Apple Inc.** guidance for the current quarter was also above consensus, propelled by strong initial demand for the iPhone X. **Facebook Inc.** surprised on both the top and bottom lines as advertising revenue increase by 47%. The third quarter is shaping up to be one of the best quarters ever for technology stocks as 88% of names in the S&P 500 have beat earnings expectations. In other earnings news, **Under Armour, Inc.** missed expectations and reduced guidance as the sports-apparel firm works through excess inventory and implements a new enterprise resource planning system. **American International Group Inc.** declined after reporting poor earnings due to an unexpected reserve charge and losses in the commercial segment from the recent hurricanes. Despite headwinds in the quarter from hurricane losses, 74.1% of companies have beat on the bottom line, with 81% of companies reporting, versus 72.5% in the year ago quarter. Looking to the future, corporate profits will likely have to keep pace to sustain current and future gains. At the moment, fundamentals remain on track as analysts expect S&P 500 earnings to increase by 10.9% for 2017 and 12.3% for 2018.