First Trust

Weekly Market Commentary

Week Ended June 2, 2017

US Economy and Credit Markets

Yields and Weekly Changes:

3 Mo. T-Bill:	0.97 (+05 bps)	GNMA (30 Yr.) 6% Coupon:	112-24/32 (2.10%)
6 Mo. T-Bill:	1.05 (-02 bps)	Duration:	4.16 years
1 Yr. T-Bill:	1.15 (unch)	Bond Buyer 40 Yield:	4.03 (-06bps)
2 Yr. T-Note:	1.29 (-01 bps)	Crude Oil Futures:	47.66 (-2.14)
3 Yr. T-Note:	1.43 (-03 bps)	Gold Spot:	1279.17 (+12.41)
5 Yr. T-Note:	1.72 (-07 bps)	Merrill Lynch High Yield Indices:	
10 Yr. T-Note:	2.16 (-09 bps)	U.S. High Yield:	5.97% (+02 bps)
30 Yr. T-Bond:	2.81 (-10 bps)	BB:	4.54% (-01 bps)
		B:	6.05% (+01 bps)

The holiday shortened week recorded higher prices for the stock and bond markets, sending divergent signals to investors. Treasury yields sunk to multi-week lows on Tuesday after the Conference Board reported Consumer Confidence fell in May for the second month in a row. This is a closely watched indicator of current and future optimism because consumer spending is the largest contribution to GDP. Readings have remained above 100, however, indicating that while confidence has waned, it is still positive. The monthly BLS jobs report released on Friday was disappointing and sent bond yields to lows not seen since November. Although the unemployment rate was recorded at 4.3%, the lowest in 16 years, most accompanying data was weaker than expected. The Labor Force Participation Rate fell in May and the number of jobs the economy added was less than forecast for the nonfarm payrolls, private payrolls, and manufacturing payrolls readings. Average hourly earnings YoY came in lower than expected but the MoM reading gained 0.2% as expected. While a tepid job market and weaker inflation outlook have the potential to cause the FOMC to pause in its tightening plan, the market still expects the Fed will raise rates at the June FOMC meeting. Major economic reports (related consensus forecasts; prior data) for the upcoming week include Monday: April Factory Orders (-0.2%, 0.5%), April Durable Goods Orders (-0.5%, -0.7%); Wednesday: June 2 MBA Mortgage Applications (--, -3.4%); Thursday: Initial Jobless Claims (240k, 248k); Friday: April Wholesale Inventories (-0.3%, -0.3%).

US Equities

Weekly Index Performance:		Market Indicators:	
DJIA:	21,206.29 (0.69%)	Strong Sectors:	Telecom, Health Care, Materials
S&P 500:	2,439.07 (1.01%)		
S&P Midcap:	1,751.11 (1.41%)	Weak Sectors:	Info Tech, Financials, Energy
S&P Smallcap:	851.91 (1.76%)		
NASDAQ Comp:	6,305.80 (1.55%)	NYSE Advance/Decline:	1,976 / 1,109
Russell 2000:	1,405.39 (1.71%)	NYSE New Highs/New Lows:	435 / 135
		AAII Bulls/Bears:	26.9% / 31.5%

Equity markets roared to an all-time high last week, as the S&P 500 gained over 1% with materials and health care sectors leading the way. Much of the rally came on Thursday after ADP Employment numbers were released 40% higher than expectations. Strong job growth continued to fuel markets on Friday when the unemployment rate fell to 4.3%, the lowest level since 2001. Energy was the poorest performing sector as crude fell from $49.90 down to $47.78. Energy exploration and production company **Southwestern Energy Company** was the worst performing stock in the S&P 500 last week. Their shares fell over 13% as natural gas continued to fall and their production has shrunk over 14% from last year. The top performing name in the S&P 500 was **Dollar General Corp**. Shares of the discount retailer flew up over 9% last week after they announced revenues and earnings higher than analyst estimates. They also announced strong revenue guidance for the rest of the year and better than expected financials behind an asset purchase from Sycamore Partners, a private equity firm. **Broadcom Ltd**, the semiconductor giant, released their earnings and revenue numbers well ahead of analyst estimates and the stock rallied over 8% as a result. They continue to execute well as market demand for their phone and network content remains strong. **Amazon.com Inc.** hit a milestone as their shares closed over $1000 per share for the first time in their history. Despite all-time highs in the equity markets, long-term equity returns tend to be fueled by corporate earnings. Bloomberg estimates ~19% earnings per share growth for the S&P 500 over the next 12 months. We remain constructive on U.S. equity markets fueled by corporate profit growth, economic strength and improving business conditions.