

US Economy and Credit Markets			
Yields and Weekly Changes:			
3 Mo. T-Bill:	1.03 (+02 bps)	GNMA (30 Yr) 6% Coupon:	112-15/32 (2.17%)
6 Mo. T-Bill:	1.13 (unch.)	Duration:	4.14 years
1 Yr. T-Bill:	1.21 (-02 bps)	Bond Buyer 40 Yield:	4.11 (+03 bps)
2 Yr. T-Note:	1.40 (+02 bps)	Crude Oil Futures:	44.23 (-1.81)
3 Yr. T-Note:	1.59 (+04 bps)	Gold Spot:	1,212.46 (-29.15)
5 Yr. T-Note:	1.95 (+06 bps)	Merrill Lynch High Yield Indices:	
10 Yr. T-Note:	2.39 (+08 bps)	U.S. High Yield:	6.18% (+07 bps)
30 Yr. T-Bond:	2.93 (+09 bps)	BB:	4.71% (+06 bps)
		B:	6.27% (+07 bps)

Following an extended period of flattening, the yield curve steepened last week. Contributing to higher yields on longer dated Treasuries was the release of June's US Federal Reserve meeting minutes. The Fed indicated that it anticipates reducing its U.S. Treasury bond and mortgage-backed security holdings before the year is out. As of the May 2017 Federal Reserve quarterly report, the Fed held \$4,470 billion which was accumulated in the aftermath of the financial crisis. The Fed was upbeat regarding inflation being at 1.7% and expects inflation to continue to creep to the targeted 2% rate over the next year. Participants did signal continued support for further gradual increases to the Federal Funds rate. Monday's ISM Manufacturing Index registered 57.8 for June which exceeded expectations and 15 of 18 industries reported expansion. The ISM Non-Manufacturing Index reading was released Tuesday and was also ahead of expectations as the service sector 16 of 18 industries registering expansion. Friday's Nonfarm payrolls came in well ahead of expectations (222,000 vs. 178,000) but the unemployment rate did tick higher as the labor force participation rate increased. For the week oil menacingly fell as OPEC's inability to curtail aggregate supply weighs on prices. Gold traded lower corresponding with tightening fiscal policy conditions of the United States and potentially Europe. Major economic reports (related consensus forecasts; prior data) for the upcoming week include: Tuesday: May Wholesale Inventories (.3%, unch.); Wednesday: Prior week MBA Mortgage Applications; Thursday: prior week Initial Jobless Claims; Friday: June CPI (.1%, -.1%), June Retail Sales (.1%, -.3%) and June Industrial Production (.3%, 0.0%).

US Equities			
Weekly Index Performance:		Market Indicators:	
DJIA:	21,414.34 (0.38%)	Strong Sectors:	Financials, Industrials
S&P 500:	2,425.18 (0.14%)		Materials
S&P Midcap:	1,747.36 (0.05%)	Weak Sectors:	Real Estate, Energy,
S&P Smallcap:	854.73 (-0.11%)		Telecommunication Services
NASDAQ Comp:	6,153.08 (-1.97%)	NYSE Advance/Decline:	1,418 / 1,630
Russell 2000:	1,415.84 (0.11%)	NYSE New Highs/New Lows:	229 / 96
		AAll Bulls/Bears:	29.6% / 29.9%

The S&P 500 started up 0.14% for the third quarter. Last week the index felt the positive effects of investor sentiment after payroll gains underscored the Federal Reserve's case for raising interest rates. Financial stocks were the best performing sector in the S&P 500 as the group rode the momentum of optimistic news outlined in the Fed's June minutes. Airline stocks, led by **American Airlines and United Continental Holdings**, benefitted from the decline in oil prices. U.S. stockpiles of oil have declined since the beginning of the year, and rising global output has offset supply cuts proposed by OPEC. The decline in crude resulted in Energy stocks being one of the worst performing groups in the market for the week. On the rebound were Information Technology holdings. After giving up some gains going into the end of the last quarter, the sector was the best performer in the S&P 500 last week. **Advanced Micro Devices**, a semiconductor manufacturer, and **Applied Materials**, a semiconductor equipment manufacturer, were two of the top performing stocks last week. The sector rallied after demand for semiconductors continues to accelerate despite lofty valuations. Next week should see the early effects of the aftermath of the Group of 20 summit in Hamburg, Germany. President Trump held firm on his America First message which is at odds with some of the other members of the G-20. The other main issue of contention is climate change, after the President withdrew from the Paris climate accord last month. Saturday's talks at the summit will be closely watched by the global community and will shape investor's mood going into this week. Congress returns this week after the Independence Day recess. The chambers will be very active with health care and budget issues ahead of the August recess.

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