

US Economy and Credit Markets			
Yields and Weekly Changes:			
3 Mo. T-Bill:	1.04 (+04 bps)	GNMA (30 Yr) 6% Coupon:	113-05/32 (1.89%)
6 Mo. T-Bill:	1.13 (+05 bps)	Duration:	4.02 years
1 Yr. T-Bill:	1.20 (-02 bps)	Bond Buyer 40 Yield:	3.96 (-03 bps)
2 Yr. T-Note:	1.26 (-08 bps)	Crude Oil Futures:	47.48 (+0.19)
3 Yr. T-Note:	1.37 (-09 bps)	Gold Spot:	1,347.30 (+20.70)
5 Yr. T-Note:	1.63 (-10 bps)	Merrill Lynch High Yield Indices:	
10 Yr. T-Note:	2.05 (-11 bps)	U.S. High Yield:	6.10 (+01 bps)
30 Yr. T-Bond:	2.67 (-11 bps)	BB:	4.56 (-02 bps)
		B:	6.18 (unch.)

Longer dated yields fell hard last week due to diminishing expectations of another rate hike being enacted by the Federal Reserve for the remainder of the current calendar year. The current implied probabilities of a rate hike in 2017 have fallen to near 25%. It also remains to be seen whether the Federal Reserve will begin unwinding its balance sheet. Recent Federal Reserve Bank of New York data shows that as of the 2<sup>nd</sup> quarter of 2017 the aggregate outstanding household debt for the United States rose to a new high. It was recorded at \$12.84 trillion dollars, in nominal terms, which is \$164 billion higher than the previous record set in the third quarter of 2008. Mortgage balances represent \$8.69 trillion of the outstanding balance and therefore make up the preponderance of outstanding debt. The outstanding balance profile has changed since 2008 however, as mortgage balances make up less of the outstanding balance and car loans and student loans have taken greater share. Last Wednesday saw two important economic reports as the trade deficit in Goods and Services for July was reported at \$43.7 Billion and the ISM Non-Manufacturing Index rose to 55.3. The deficit was slightly less than expectations and both exports and imports declined. The ISM non-manufacturing index reported 15 of 18 industries expanding in August. Major economic reports (related consensus forecasts; prior data) for the upcoming week include: Wednesday: Prior week MBA Mortgage Applications, August PPI Demand (.3%, +.4%); Thursday: Prior week Initial Jobless Claims (300K, +2K) and August CPI (.3%, +.2%); Friday: September Empire Manufacturing (18, -7.2), August Retail Sales (.1%, -.5%), August Industrial Production (.1%, -.1%) and Preliminary September University of Michigan Sentiment (95.6, -1.2).

US Equities			
Weekly Index Performance:		Market Indicators:	
DJIA:	21,797.79 (-0.82%)	Strong Sectors:	Health Care, Energy, Utilities
S&P 500:	2,461.43 (-0.58%)	Weak Sectors:	Telecom, Financials, Materials
S&P Midcap:	1,719.09 (-1.05%)	NYSE Advance/Decline:	1,227 / 1,839
S&P Smallcap:	838.92 (-0.94%)	NYSE New Highs/New Lows:	280 / 88
NASDAQ Comp:	6,360.19 (-1.16%)	AAII Bulls/Bears:	29.3% / 35.7%
Russell 2000:	1,399.43 (-0.98%)		

Equities lost ground during a holiday-shortened week in which investors grappled with matters ranging from Hurricane Irma and North Korea to raising the US debt limit and the Federal Reserve's future interest rate path. Financial shares were one of the worst performing sectors as insurers continued to sell-off due to Hurricane Irma's potential impact on Florida and banking shares lost ground on lower treasury yields. In stock news, **Hertz Global Holdings Inc.** and **Avis Budget Group Inc.** both added to last week's gains as rental car rates jumped in hurricane affected areas and a supply glut in used cars could be further reduced by Hurricane Irma, benefiting resale values for both rental fleets. **Newell Brands Inc.** declined after lowering its full year EPS forecast due to increased cost of its manufactured resin business as most suppliers remain closed since Hurricane Harvey. **Restoration Hardware** shares surged as short sellers covered positions after the high-end furniture seller reported strong earnings and raised guidance, citing the core business showing signs of stabilization. Looking ahead to next week, investors will closely watch North Korea over the weekend as Saturday marks the 69<sup>th</sup> anniversary of the founding of the Democratic People's Republic of Korea, which is a likely day for another missile test. In addition, next week's inflation data will be a key data point as investors have been lowering their expectations for future rate hikes after a series of weak inflation reports.

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