

| US Economy and Credit Markets |                |                                   |                   |
|-------------------------------|----------------|-----------------------------------|-------------------|
| Yields and Weekly Changes:    |                |                                   |                   |
| 3 Mo. T-Bill:                 | 1.44 (+04 bps) | GNMA (30 Yr) 6% Coupon:           | 111-14/32 (2.71%) |
| 6 Mo. T-Bill:                 | 1.59 (+02 bps) | Duration:                         | 4.09 years        |
| 1 Yr. T-Bill:                 | 1.77 (-02 bps) | Bond Buyer 40 Yield:              | 3.87 (+06 bps)    |
| 2 Yr. T-Note:                 | 2.00 (+04 bps) | Crude Oil Futures:                | 64.30 (+2.86)     |
| 3 Yr. T-Note:                 | 2.12 (+06 bps) | Gold Spot:                        | 1,337.64 (+18.05) |
| 5 Yr. T-Note:                 | 2.35 (+06 bps) | Merrill Lynch High Yield Indices: |                   |
| 10 Yr. T-Note:                | 2.55 (+07 bps) | U.S. High Yield:                  | 6.10 (+04 bps)    |
| 30 Yr. T-Bond:                | 2.85 (+04 bps) | BB:                               | 4.68 (+04 bps)    |
|                               |                | B:                                | 6.22 (+03 bps)    |

The Bank of Japan revealed last week it would start to trim purchases of Japanese government bonds, beginning an unwinding of ultra-accommodative monetary policy. The news sent long-dated Treasury yields higher on Tuesday as investors gained confidence in the global economic recovery. The announcement by Chinese officials on Wednesday that the Chinese Central Bank may slow or even halt purchases due to trade tensions with the U.S sent the 10-year Treasury note yield over 2.50%. Bond prices rose after the December Producer Price Index report was released showing an unexpected drop. It was the first-time wholesale prices fell since August 2016 causing investors to worry about weaker inflationary pressures. The highlight of the week was the December CPI report released on Friday which revealed that prices were in line with or beat expectations. The report sent the 2-year Treasury note yield over 2% for the first time since 2008 and the market implied probability of a March rate hike rose to 88%. Major economic reports (related consensus forecasts; prior data) for the upcoming holiday-shortened week include Tuesday: January Empire Manufacturing (19.0, 18.0); Wednesday: January 12 MBA Mortgage Applications and December Industrial Production (0.4%, 0.2%); Thursday: Housing Starts (1273k, 1297k) and January 13 Initial Jobless Claims (250k, 261k); Friday: January preliminary University of Michigan Sentiment (97.0, 95.9).

| US Equities               |                   |                          |                         |
|---------------------------|-------------------|--------------------------|-------------------------|
| Weekly Index Performance: |                   | Market Indicators:       |                         |
| DJIA:                     | 25,803.19 (2.02%) | Strong Sectors:          | Industrials, Energy,    |
| S&P 500:                  | 2,786.24 (1.61%)  |                          | Consumer Discretionary  |
| S&P Midcap:               | 1,965.97 (1.55%)  | Weak Sectors:            | Real Estate, Utilities, |
| S&P Smallcap:             | 969.17 (2.12%)    |                          | Telecom Services        |
| NASDAQ Comp:              | 7,261.06 (1.75%)  | NYSE Advance/Decline:    | 1,775 / 1,284           |
| Russell 2000:             | 1,591.97 (2.06%)  | NYSE New Highs/New Lows: | 584 / 114               |
|                           |                   | AAll Bulls/Bears:        | 48.7% / 25.1%           |

Equities continue to climb higher in 2018 with the S&P 500 Index returning 1.61% last week. The index has delivered only one down day in the first two weeks of the year as investors continue to show their confidence in stocks. Wednesday was the only down day for the index as most sectors were in negative territory, with financials and industrials showing strength. The start of fourth quarter earnings season kicked off with financials showing good results. **JPMorgan Chase & Co.**, **BlackRock Inc.**, and **The PNC Financial Services Group Inc.** all reported and beat earnings expectations, while **Wells Fargo & Co.** missed earnings. **JPMorgan Chase and Co.** also commented on the positive effects for 2018 from the tax overhaul which also helped the stock climb higher on Friday. US initial jobless claims of 261K were higher than the consensus estimate of 245K and the previous week's 250K. Crude oil prices rallied as they showed their strongest gain since late October, up 4.65% for the week and closing at \$64.30 per barrel. **Seagate Technology PLC**, a manufacturer and marketer of electronic data storage systems like hard disk drives and solid state drives, showed the best performance for the week in the S&P 500 Index with a 19.38% return. The stock jumped on Monday amidst reports the company has a stake in Ripple, a cryptocurrency company. The company also reported optimistic preliminary revenue helping the stock trade higher the remainder of the week as many analysts increased their price targets. **Kohl's Corp.**, an operator of family-oriented clothing department stores, returned 17.49% last week as the company reported strong same-store November-December sales and increased their earnings guidance. **RBC Capital Markets** and **JPMorgan** both upgraded the stock's rating and price target. **Viacom Inc.**, a producer of media entertainment for cable TV and film, climbed 16.01% last week on rumors that Shari Redstone, the vice-chairman for both **Viacom Inc.** and **CBS Corp.**, is interested in merging the two companies together. Next week's earnings news comes from **Bank of America Corp.**, **UnitedHealth Group Inc.**, **Citigroup Inc.**, **IBM Corp.**, **Schlumberger Limited**, **Morgan Stanley** and many more.

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