

US Economy and Credit Markets			
Yields and Weekly Changes:			
3 Mo. T-Bill:	1.39 (+02 bps)	GNMA (30 Yr) 6% Coupon:	111-16/32 (2.70%)
6 Mo. T-Bill:	1.58 (+05 bps)	Duration:	4.09 years
1 Yr. T-Bill:	1.79 (+06 bps)	Bond Buyer 40 Yield:	3.81 (-06 bps)
2 Yr. T-Note:	1.96 (+07 bps)	Crude Oil Futures:	61.44 (+1.02)
3 Yr. T-Note:	2.06 (+09 bps)	Gold Spot:	1,322.30 (+13.00)
5 Yr. T-Note:	2.29 (+08 bps)	Merrill Lynch High Yield Indices:	
10 Yr. T-Note:	2.48 (+07 bps)	U.S. High Yield:	6.06 (-09 bps)
30 Yr. T-Bond:	2.81 (+07 bps)	BB:	4.64 (unch.)
		B:	6.19 (-08 bps)

The yield curve has continued to flatten even as equity markets ushered in 2018 with excitement. The steepness of the yield curve is generally taken to be indicative of investor expectations for future growth, inflation or both. Future implied probabilities indicate the market believes that the Federal Funds rate will end 2018 between 1.75% and 2.25% and with the 10 year currently yielding roughly 2.5% investors will hope to see the rate increases bump up the longer end of the curve and not just the front end. Oil rallied hard to begin the year as U.S. crude inventories declined for a seventh straight week and have come down nearly 100,000 barrels from spring of 2017 highs. Last week had many economic reports including Wednesday's December ISM Manufacturing Index reading of 59.7. This exceeded expectations and 16 of the 18 associated industries reported growth in activities. On Friday, the ISM Non-Manufacturing Index fell to 55.9 which was well below consensus. 14 of 18 industries recorded growth and three contracted. Also on Friday, the trade deficit was reported expanding to \$50.5 billion, the largest it has been in nearly six years. Finishing up last week was nonfarm payrolls rising 148,000 in December which was well short of expectations and resulted in the unemployment rate remaining unchanged at a low 4.1%. Major economic reports (related consensus forecasts; prior data) for the upcoming week include Wednesday: January 5 MBA Mortgage Applications and the November Wholesale Inventories report (.7%, unch.); Thursday: December PPI Final Demand (0.2%, -0.2%) and January 6 Initial Jobless Claims (245K, -5K); Friday: December CPI (0.1%, -0.3%) and December Retail Sales Advance (0.4%, -0.4%).

US Equities			
Weekly Index Performance:		Market Indicators:	
DJIA:	25,295.87 (2.37%)	Strong Sectors:	Materials, Energy
S&P 500:	2,743.15 (2.63%)		Info Tech
S&P Midcap:	1,936.27 (1.88%)	Weak Sectors:	Cons. Staples, Telecom
S&P Smallcap:	949.18 (1.39%)		Utilities
NASDAQ Comp:	7,136.56 (3.40%)	NYSE Advance/Decline:	2,026 / 1,025
Russell 2000:	1,560.01 (1.61%)	NYSE New Highs/New Lows:	475 / 80
		AAll Bulls/Bears:	59.8% / 15.6%

Despite a holiday shortened trading week to start 2018, there were four new all-time highs for the S&P 500 index. The index surged 2.6% last week as strong economic reports continued to fuel returns in equities. Employment and wage growth, durable goods orders and consumer confidence continue to underpin a strong economy. The top performing stock in the S&P 500 last week was computer processing chip maker **Advanced Micro Devices**, which rallied over 15%, after news that most traditional computer processors likely have a "fundamental design flaw" which can be exploited by the Spectre and Meltdown computer viruses. While the viruses may affect some AMD chips, the market is pricing in more issues with **Intel Inc.** as it fell 3% on the news. The most likely result is more enterprise hardware consumers diversifying between the two processing chip makers. That chip diversification will likely aid AMD, which has near \$5b in annual revenue, compared to Intel, which has near \$60b in annual revenue, hence last weeks bifurcated returns between two of the industry's largest players. **Dominion Energy Inc.** has agreed, in principle, to buy **SCANA Corp.** in an all stock deal worth near \$14b. SCANA had run into problems building a nuclear plant in South Carolina which resulted in its CEO's resignation. Dominion already has a presence in the state and its CEO stated they are "investing for the long term in South Carolina." **General Motors Inc.** surged over 7% for the week after full year sales topped 4 million vehicles for the first time and December sales fell 3.3% compared to analyst estimates of 7.3%. **Ford Inc.** also benefited from positive sales news and was up 5.7% for the week. **L Brands Inc.** fell over 16% after Christmas sales growth did not materialize as they expected which caused several analysts to cut price targets. Looking ahead to next week, economic news on advanced retail sales is expected to be released for December. This will likely be the first true understanding of how strong the Christmas shopping season was in the U.S., which should give some additional insight into consumer confidence.

The information presented is not intended to constitute an investment recommendation for, or advice to, any specific person. By providing this information, First Trust is not undertaking to give advice in any fiduciary capacity within the meaning of ERISA and the Internal Revenue Code. First Trust has no knowledge of and has not been provided any information regarding any investor. Financial advisors must determine whether particular investments are appropriate for their clients. First Trust believes the financial advisor is a fiduciary, is capable of evaluating investment risks independently and is responsible for exercising independent judgment with respect to its retirement plan clients.