

US Economy and Credit Markets			
Yields and Weekly Changes:			
3 Mo. T-Bill:	1.473 (6.1 bps)	GNMA (30 Yr) 6% Coupon:	110-27/32 (2.78%)
6 Mo. T-Bill:	1.627 (0.0 bps)	Duration:	4.29 years
1 Yr. T-Bill:	1.860 (8.5 bps)	Bond Buyer 40 Yield:	4.00 (10 bps)
2 Yr. T-Note:	2.133 (1.7 bps)	Crude Oil Futures:	65.45 (-0.69)
3 Yr. T-Note:	2.307 (6.6 bps)	Gold Spot:	1,333.39 (-15.73)
5 Yr. T-Note:	2.570 (10.0 bps)	Merrill Lynch High Yield Indices:	
10 Yr. T-Note:	2.834 (17.4 bps)	U.S. High Yield:	6.27 (20bps)
30 Yr. T-Bond:	3.088 (17.6 bps)	BB:	4.90 (20 bps)
		B:	6.43 (27 bps)

The yield on the benchmark U.S. 10-year Treasury note topped 2.8% last week, a four-year high, after the jobs report was released on Friday, ending a week that saw a selloff in the bond market. The report showed average hourly earnings for private-sector workers rose 2.9% in January over a year earlier while the unemployment rate held at 4.1%. The growth in wages, which was the strongest year-over-year gain since 2009, stoked higher expectations for inflation and prompted the selloff in U.S. government bonds on Friday. The Federal Open Market Committee announced after its meeting on Tuesday and Wednesday that it still expects to raise interest rates three times in 2018, but higher inflation could prompt the FOMC to raise rates four times this year. According to CME Group, the probability of at least four rate increases in 2018 jumped from 25% to 30% after the jobs report was announced. The FOMC meeting marked the last for Fed Chairwoman Janet Yellen. Her successor, Fed governor Jerome Powell, is scheduled to be sworn in as chairman of the Fed board of governors this week. Major economic reports (related consensus forecasts, prior data) for the upcoming week include Tuesday: December Trade Balance (-\$52.0b, -\$50.5b); Wednesday: February 2 MBA Mortgage Applications (N/A, -2.6%); Thursday: February 3 Initial Jobless Claims (233k, 230k); Friday: December Final Wholesale Inventories MoM (0.2%, 0.2%).

US Equities			
Weekly Index Performance:		Market Indicators:	
DJIA:	25,520.96 (-4.11%)	Strong Sectors:	Telecom, Utilities
S&P 500:	2,762.13 (-3.82%)		Financials
S&P Midcap:	1,917.74 (-3.75%)	Weak Sectors:	Info Tech., Materials
S&P Smallcap:	943.49 (-3.67%)		Energy
NASDAQ Comp:	7,240.95 (-3.51%)	NYSE Advance/Decline:	283 / 2,821
Russell 2000:	1,549.04 (-3.64%)	NYSE New Highs/New Lows:	360 / 483
		AAll Bulls/Bears:	44.8% / 28.8%

The S&P 500 had a -3.82% return last week, the worst weekly return since January 2016. While equity returns were poor last week, the index still has a gain of over 3.4% for the year. Despite strong payroll and wage growth numbers, equity markets fell as some earnings announcements disappointed and the odds of a Fed rate hike grew. Earnings season was in full swing last week with 118 components of the S&P 500 announcing quarterly results. **Apple Inc.** saw its shares slide over 6% after the company announced lukewarm iPhone X sales. Apple also issued 2Q revenue guidance slightly below analyst expectations which increased concerns of slowing growth for the tech giant. Google's parent company **Alphabet Inc.**, also had a 6% slip in price last week after they missed analyst earnings estimates due to rising costs of advertising and distribution along with increased marketing spend during the holiday season. **United Parcel Service** fell over 12% during the week on news that EBITDA margins continue to compress as peak shipping costs surged and on worries that a United States exit from NAFTA (North American Free Trade Alliance) might negatively affect their business. Not all earnings announcements were gloomy. **Amazon.com Inc.** saw its shares rise 2.8% after announcing its most profitable quarter ever. Amazon credited continued automation of their business as the primary way to keep costs down during the all-important holiday shopping season. Defense contractors **Lockheed Martin Corp.** and **Boeing Co.** both had earnings announcements that topped expectations which sent them both up over 1.5% last week while the market was down. In other equity news, **Dr. Pepper Snapple Group, Inc.**, was up over 24% for the week after **Keurig Green Mountain Inc.** entered into an agreement to buy the beverage company for cash and stock. Looking ahead to next week, earnings season continues with over 90 constituents of the S&P 500 expected to report quarterly results.

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