

US Economy and Credit Markets			
Yields and Weekly Changes:			
3 Mo. T-Bill:	1.969 (0.3 bps)	GNMA (30 Yr) 6% Coupon:	106-21/32 (3.96%)
6 Mo. T-Bill:	2.133 (-2.1 bps)	Duration:	3.93 years
1 Yr. T-Bill:	2.389 (4.4 bps)	Bond Buyer 40 Yield:	3.97 (+01 bps)
2 Yr. T-Note:	2.593 (1.5 bps)	Crude Oil Futures:	70.46 (-0.55)
3 Yr. T-Note:	2.677 (2.5 bps)	Gold Spot:	1,229.53 (-14.79)
5 Yr. T-Note:	2.764 (4.0 bps)	Merrill Lynch High Yield Indices:	
10 Yr. T-Note:	2.893 (6.6 bps)	U.S. High Yield:	6.59 (-02 bps)
30 Yr. T-Bond:	3.026 (9.4 bps)	BB:	5.46 (-03 bps)
		B:	6.78 (-02 bps)

Bond investors did not lack for news last week as Federal Reserve Chairman Jerome Powell delivered a positive assessment of the economy to Congress and outlined the Federal Reserve's intention to continue its path of gradual rate increases. However, much of the last week media coverage last week focused on President Trump's remarks that rising yields will put a damper on the economic growth being currently enjoyed. There is much less being said about TINA (there is no alternative) recently and it's no surprise as the three-month T-bill yield is currently higher than the indicated dividend yield on the S&P 500. Of concern to investors though, is the lack of response on the long-end of the curve to increasing short-term rates. On Monday, the retail sales report supported the narrative that consumers are enjoying a strong job market and improved spending power. Retail sales rose half a percent for June, matching estimates. Also last week, Industrial Production was shown rising 0.6%, beating expectations, in June after disappointing in May. Disappointing investors was Wednesday's Housing Starts data which recorded a 12.3% decline for June significantly underperforming expectations and generating increased concerns that rising interest rates may slow housing starts. Major economic reports (related consensus forecasts, prior data) for the upcoming week include: Monday: June Existing Home Sales (5.44m, 5.43m); Tuesday: July preliminary Markit US Manufacturing PMI (55.1, 55.4); Wednesday: July 20 MBA Mortgage Applications (N/A, -2.5%); Thursday: July 21 Initial Jobless Claims (215k, 207k), June preliminary Wholesale Inventories (0.4%, 0.6%) and June preliminary Durable Goods Orders (3.0%, -0.4%); Friday: 2Q annualized QoQ GDP (4.2%, 2.0%) and July final University of Michigan Sentiment (97.1, unch.).

US Equities			
Weekly Index Performance:		Market Indicators:	
DJIA:	25,058.12 (0.20%)	Strong Sectors:	Financials, Industrials,
S&P 500:	2,801.83 (0.04%)		Consumer Staples
S&P Midcap:	1,998.36 (0.11%)	Weak Sectors:	Telecom Services
S&P Smallcap:	1,055.99 (0.98%)		Energy, Real Estate
NASDAQ Comp:	7,820.20 (-0.07%)	NYSE Advance/Decline:	1,616 / 1,460
Russell 2000:	1,696.81 (0.58%)	NYSE New Highs/New Lows:	200 / 121
		AAll Bulls/Bears:	34.7% / 24.9%

Equities were relatively unchanged for the third week of July with the S&P 500 Index returning 0.04%. The index climbed through Wednesday, but gave back most of its gains by the close on Thursday. Fed Chairman Jerome Powell testified before the US Senate Banking Committee on Tuesday, conveying that a gradual rise in the federal funds rate would be most beneficial to the FOMC's long-term employment objectives and price stability, given the continued strengthening of the job market and slight uptick in inflation. Investors reacted positively to his comments as equities showed their best day of the week. US initial jobless claims of 207K were lower than the consensus estimate of 220K and the previous week's 214K. Crude oil prices closed the week at \$70.46 per barrel, declining a third consecutive week from its recent closing high on June 29. Over 90% of the 61 companies in the S&P 500 Index that released earnings last week, reported either hitting or beating their expectations. **United Continental Holdings Inc.**, an airline holding company, was the week's best performing stock in the S&P 500 Index. The stock returned 12.22% last week due to their positive second quarter earnings announcement on Tuesday. **WW Grainger Inc.**, a distributor of industrial products, announced better than expected quarterly earnings and jumped 11.16% on Wednesday. The company also increased their sales guidance for 2018. **Netflix Inc.**, an Internet subscription TV streaming service, declined 8.78% last week. The company beat their earnings estimates but missed their expected US and international subscriber growth. **Bank of America Inc.**, **The Goldman Sachs Group Inc.**, **Morgan Stanley**, **US Bancorp**, and **American Express** are some of the large financial companies that reported and beat earnings expectations last week. Among the companies reporting this week are **Amazon.com**, **Alphabet Inc.**, **Facebook Inc.**, **Exxon Mobil Corp** and many others.

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