

US Economy and Credit Markets			
Yields and Weekly Changes:			
3 Mo. T-Bill:	2.094 (0.7 bps)	GNMA (30 Yr) 6% Coupon:	106-07/32 (4.09%)
6 Mo. T-Bill:	2.260 (2.6 bps)	Duration:	4.04 years
1 Yr. T-Bill:	2.447 (2.3 bps)	Bond Buyer 40 Yield:	4.02 (1 bps)
2 Yr. T-Note:	2.627 (0.7 bps)	Crude Oil Futures:	69.80 (1.08)
3 Yr. T-Note:	2.691 (1.9 bps)	Gold Spot:	1,201.15 (-4.20)
5 Yr. T-Note:	2.738 (2.6 bps)	Merrill Lynch High Yield Indices:	
10 Yr. T-Note:	2.860 (5.1 bps)	U.S. High Yield:	6.54 (5 bps)
30 Yr. T-Bond:	3.019 (6.0 bps)	BB:	5.32 (2 bps)
		B:	6.82 (9 bps)

Treasury prices dropped moderately over the course of the week on trade and geopolitical news. On Monday, the Trump Administration announced they had reached a trade deal with Mexico and suggested that the North American Free Trade Agreement would be overhauled and talks with Canada would soon begin. It was also reported on Tuesday that Germany was considering financial aid to Turkey, but talks were in the very early stages. Together, this caused Treasury yields to rise significantly the first half of the week as investors followed a risk-on trade. However, Treasuries rebounded moderately the second half of the week as it was reported that President Donald Trump planned on going ahead with imposing \$200B of tariffs on Chinese imports next week. On Friday, trade talks with Canada did not reach a deal but talks will continue next week. Congress is considered more likely to approve a NAFTA deal if all three countries are involved as opposed to just two. President Trump also warned on Friday he could pull out of the World Trade Organization. Major economic reports (related consensus forecasts, prior data) for the upcoming holiday-shortened week include: Tuesday: August Final Markit US Manufacturing PMI (54.5, 54.5), July Construction Spending MoM (0.5%, -1.1%), August ISM Manufacturing (57.6, 58.1); Wednesday: August 31 MBA Mortgage Applications (N/A, -1.7%), July Trade Balance (-\$50.0b, -\$46.3b); Thursday: August ADP Employment Change (193k, 219k), September 1 Initial Jobless Claims (213k, 213k), July Final Durable Goods Orders (N/A, -1.7%); Friday: August Change in Nonfarm Payrolls (191k, 157k), August Unemployment Rate (3.8%, 3.9%).

US Equities			
Weekly Index Performance:		Market Indicators:	
DJIA:	25,964.82 (+0.79%)	Strong Sectors:	Info Tech, Consumer Discretionary, Health Care
S&P 500:	2,901.52 (+0.98%)	Weak Sectors:	Telecom, Utilities, Consumer Staples
S&P Midcap:	2,044.70 (+0.51%)	NYSE Advance/Decline:	1,567 / 1,480
S&P Smallcap:	1,098.36 (+0.66%)	NYSE New Highs/New Lows:	301 / 110
NASDAQ Comp:	8,109.54 (+2.07%)	AAll Bulls/Bears:	43.5% / 24.4%
Russell 2000:	1,740.753 (+0.91%)		

Stocks continued to grind higher for the third consecutive week as potential tariffs and trade deals remained in the headlines. Equities rose early in the week after President Donald Trump and Mexican President Enrique Peña Nieto announced a joint trade deal that is set to modify the current NAFTA deal. However, stocks lost ground in the latter half of the week as a trade deal with Canada has yet to materialize and \$200 billion of new tariffs could be placed on Chinese goods as early as next week. In economic news, consumer spending increased by 0.4% in July, while incomes increased by 0.3%, missing expectations of a 0.4% increase. In stock news, shares of **Advanced Micro Devices, Inc.** added to recent gains after unveiling its new datacenter graphics card, which should help speed up rendering and virtualization for customers. **Electronic Arts Inc.** slipped after lowering full year guidance due to impacts from a strong dollar and a reduced outlook for its mobile games. The video game maker also announced a delay for the next **Battlefield** game by one month. With earnings season complete, **Dollar Tree, Inc.** and **Dollar General Corp.** reported mixed results versus solid earnings announcements by many large big-box retailers earlier in the quarter. Dollar stores are losing out to competitors with large e-commerce segments and better in-store experiences as consumers are not as price sensitive due to the strong economic backdrop. The S&P 500 posted 24% earnings growth for the quarter. In addition, 81% of S&P 500 members posted positive earnings surprises for the second quarter 2018 versus 72% for the second quarter 2017. Looking ahead to next week, investors will remain focused on any new trade deal developments with China and Canada. Additionally, August's job report, released Friday, will be a key barometer for the economy.

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