

US Economy and Credit Markets			
Yields and Weekly Changes:			
3 Mo. T-Bill:	1.561 (0.5 bps)	GNMA (30 Yr) 6% Coupon:	110-08/32 (2.75%)
6 Mo. T-Bill:	1.560 (0.8 bps)	Duration:	3.76 years
1 Yr. T-Bill:	1.511 (-0.6 bps)	Bond Buyer 40 Yield:	3.63 (2 bps)
2 Yr. T-Note:	1.629 (2.6 bps)	Crude Oil Futures:	60.44 (0.37)
3 Yr. T-Note:	1.657 (3.8 bps)	Gold Spot:	1,478.22 (1.89)
5 Yr. T-Note:	1.730 (7.7 bps)	Merrill Lynch High Yield Indices:	
10 Yr. T-Note:	1.917 (9.4 bps)	U.S. High Yield:	6.02 (-16 bps)
30 Yr. T-Bond:	2.342 (9.0 bps)	BB:	4.39 (-7 bps)
		B:	6.20 (-17 bps)

Last week's economic news was mixed and bonds see-sawed with the reports. However, U.S. Government debt demand has generally been weaker as the risk-on equity rally has reduced safe haven demand which had resulted in generally higher yields the last few weeks. On Tuesday, both Industrial Production and Housing Starts were seen increasing in the month of November. The former posted the largest monthly gain since 2017 in November, as the end to the GM strike resulted in a strong rebound in auto production. Even excluding the improvement in auto production, November experienced an improvement in both industrial production and manufacturing. Consumer good production popped 2.1% as well. Housing starts increased 3.2% in November ahead of expectations and up 13.6% year-over-year. Single-family starts were the primary driver of this strength. On Wednesday, the reported existing home sales fell 1.7% from the prior month but were up 2.7% versus a year ago. Median prices rose in the reported data too. At the end of last week, Real GDP Growth for Q3 was unrevised at 2.1% annualized growth. November personal income was reported rising 0.5% in November and disposable income was up 0.5% as well. Consumer prices registered a 0.2% rise. Major economic reports (related consensus forecasts, prior data) for the upcoming holiday-shortened week include Monday: November preliminary Durable Goods Orders (1.5%, 0.5%) and November New Home Sales (730K, 733K); Thursday: December 21 Initial Jobless Claims (220k, 234k) and December 20 MBA Mortgage Applications (N/A, -5.0%).

US Equities			
Weekly Index Performance:		Market Indicators:	
DJIA:	28,455.09 (1.14%)	Strong Sectors:	Utilities, Real Estate, Communication Services
S&P 500:	3,221.22 (1.68%)	Weak Sectors:	Industrials, Financials, Materials
S&P Midcap:	2,065.27 (2.03%)		
S&P Smallcap:	1,022.88 (2.04%)		
NASDAQ Comp:	8,924.96 (2.20%)	NYSE Advance/Decline:	1,738 / 1,209
Russell 2000:	1,672.53 (2.14%)	NYSE New Highs/New Lows:	272 / 9
		AAII Bulls/Bears:	44.1% / 20.5%

Stocks closed out another week at all-time highs. The S&P 500 reached 3221 to bring the year to date total return to just over 31%. With stocks at record highs, the news out of Washington is hitting new lows. On Wednesday, President Trump became the third president to be impeached in our country's 243-year history. Despite the political dealings on impeachment, U.S. lawmakers were able to pass spending bills to avoid a partial government shutdown. On Friday, Speaker Pelosi invited the president to deliver the State of the Union address on February 4<sup>th</sup>, potentially during the Senate trial. The official start date of the Senate trial is in negotiation between the House and Senate leaders due to a standoff over the trial procedure. Moving to the trade front, the signing of the first phase of the trade deal with China is set for January. Through the noise in Washington, U.S. companies showed signs of potential themes in 2020. Yield sensitive sectors lead the market as Utilities and Real Estate were the best performing groups in the S&P 500. **Conagra Brands** reported earnings last week and the stock popped over 15% to close out the week up 23.5%. Other trade-sensitive stocks, such as **US Steel, Navistar, and Cummins** all announced job cuts and downgrades to their 2020 outlooks in a sign that the postponed trade deals are hurting the industries they were designed to protect. Looking ahead to next week, Monday's releases include durable goods orders and home sales data followed by Christmas amid what will likely be very light trading volume.

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