

US Economy and Credit Markets			
Yields and Weekly Changes:			
3 Mo. T-Bill:	1.267 (-27.9 bps)	GNMA (30 Yr) 6% Coupon:	110-26/32 (2.72%)
6 Mo. T-Bill:	1.153 (-36.3 bps)	Duration:	3.68 years
1 Yr. T-Bill:	1.009 (-41.1 bps)	Bond Buyer 40 Yield:	3.38 (-08 bp)
2 Yr. T-Note:	0.913 (-44.1 bps)	Crude Oil Futures:	44.76 (-8.62)
3 Yr. T-Note:	0.897 (-42.1 bps)	Gold Spot:	1,585.69 (-57.72)
5 Yr. T-Note:	0.936 (-38.7 bps)	Merrill Lynch High Yield Indices:	
10 Yr. T-Note:	1.149 (-32.3 bps)	U.S. High Yield:	6.48 (63 bps)
30 Yr. T-Bond:	1.675 (-24.0 bps)	BB:	4.78 (51 bps)
		B:	6.75 (72 bps)

Treasury prices rose dramatically over the course of the week as the Coronavirus spread throughout the world and fears of a global pandemic rose significantly. Over the previous weekend, there was a rapid rise of cases in Italy and South Korea. On Wednesday, a case of Coronavirus was diagnosed in California with no previous link to travel and 62 total cases were in the United States by the end of the week. This has led to fears that there will be significant supply chain disruption in the global economy and a large drop in production due to quarantines in China. By the end of the week there had been over 83,000 global cases and over 2,800 confirmed deaths. Altogether, this has led investors to seek the perceived safety of Treasuries as the 10-year Treasury yield set a record low of 1.149% on Friday. Investors now believe that the Federal Reserve will cut the Federal Funds Rate at the March 18th meeting. The market implied probability of a rate cut rose from 8% last week to 100% this week, with a 53% chance of multiple rate cuts. Federal Reserve Chairman Powell said that the virus “poses evolving risks to economic activity” and that the Fed would “act appropriately to support the economy.” Major economic reports (related consensus forecasts, prior data) for the upcoming week include: Monday: February Final Markit US Manufacturing PMI (50.8, 50.8), January Construction Spending (0.6%, -0.2%), February ISM Manufacturing (50.5, 50.9); Wednesday: February 28 MBA Mortgage Applications (n/a, 1.5%), February ADP Employment Change (170k, 291k); Thursday: January Final Durable Goods Orders (n/a, -0.2%), January Factory Orders (n/a, -0.2%); Friday: January Trade Balance (-\$48.0b, -\$48.9b), February Change in Nonfarm Payrolls (175k, 225k), February Unemployment Rate (3.5%, 3.6%), January Final Wholesale Inventories MoM (n/a, -0.2%).

US Equities			
Weekly Index Performance:		Market Indicators:	
DJIA:	25,409.36 (-12.26%)	Strong Sectors:	Communication Services,
S&P 500:	2,954.22 (-11.44%)		Consumer Staples, Health Care
S&P Midcap:	1,814.00 (-12.92%)	Weak Sectors:	Energy, Financials,
S&P Smallcap:	884.78 (-12.33%)		Materials
NASDAQ Comp:	8,567.37 (-10.52%)	NYSE Advance/Decline:	111 / 2,967
Russell 2000:	1,476.43 (-12.01%)	NYSE New Highs/New Lows:	160 / 1,139
		AAll Bulls/Bears:	30.4% / 39.1%

The S&P 500 Index entered correction territory last week declining 11.44%, its worst performance since early October 2008. The index has delivered seven consecutive negative trading days, eliminating the 2020 gains and is down 8.27% YTD. Equity markets reflected anxiousness over the spread of the coronavirus as the World Health Organization increased its global risk level. The virus has contributed to uncertainty in global financial markets as companies continue to evaluate the virus's impact on their operations and supply chains, causing some investors to adjust their expectations downward for 2020. Equity markets showed no place to hide as all economic sectors closed down more than 10% with the exception of communication services at -9.45%. Crude oil closed at \$44.76 per barrel on Friday, declining 16.15% for the week as fears of a global slowdown hurt the energy sector most, returning -15.37%. The University of Michigan Consumer Sentiment Index revealed high U.S. consumer optimism for February, though last week's slide could affect the confidence reading in March. U.S. initial jobless claims of 219K were higher than the consensus estimate of 212K and the previous week's claims of 210K. Only two stocks in the S&P 500 Index showed positive returns for the week.

Regeneron Pharmaceuticals Inc., a biopharmaceutical company, was the best performing stock in the index, up 10.27%. The company and the U.S. Department of Health and Human Services are engaged in developing a treatment for the coronavirus. Airline and cruise line companies reflected the negative impact the virus is beginning to have on current and future travel. **American Airlines Group Inc.** showed the worst performance for the week with a -31.52% return. Other major airlines and cruise lines that declined over 20% include **Alaska Air Group Inc.**, **United Airlines Holdings Inc.**, **Delta Air Lines Inc.**, **Royal Caribbean Cruises Ltd.**, and **Norwegian Cruise Line Holdings Ltd.**, with **Carnival Corp** losing 19.74%. This week, equity markets could remain volatile as investors process last week's decline.

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