

| US Economy and Credit Markets | | | |
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| Yields and Weekly Changes: | | | |
| 3 Mo. T-Bill: | 0.099 (0.5 bps) | GNMA (30 Yr) 6% Coupon: | 109-30/32 (3.65%) |
| 6 Mo. T-Bill: | 0.134 (0.2 bps) | Duration: | 3.68 years |
| 1 Yr. T-Bill: | 0.140 (1.3 bps) | Bond Buyer 40 Yield: | 3.81 (-2 bps) |
| 2 Yr. T-Note: | 0.145 (-1.2 bps) | Crude Oil Futures: | 29.43 (4.69) |
| 3 Yr. T-Note: | 0.183 (-3.3 bps) | Gold Spot: | 1,743.67 (40.97) |
| 5 Yr. T-Note: | 0.308 (-2.6 bps) | Merrill Lynch High Yield Indices: | |
| 10 Yr. T-Note: | 0.643 (-4.0 bps) | U.S. High Yield: | 8.29 (18 bps) |
| 30 Yr. T-Bond: | 1.327 (-5.6 bps) | BB: | 6.09 (18 bps) |
| | | B: | 8.65 (20 bps) |

In the middle of last week Federal Reserve Chairman Jerome Powell said the central bank was not considering employing negative interest rates to combat slowing economic conditions. And the data last week did indicate that COVID is wrecking havoc with US economic activity. Last Tuesday witnessed a decline in the Consumer Price Index of 0.8% for April. Energy prices declined 10.1% in April, while food prices rose 1.5%. The “core” CPI, which excludes food and energy, declined 0.4% in April, versus a consensus expected -0.2%. Core prices are up 1.4% versus a year ago. The April decline was the largest since March of 2008. The best news in the report was the rise of hourly earnings which were up 5.6% in April. However, this was largely the result of the lowest wage jobs experiencing layoffs. The Producer Price Index also registered a decline in April. The plunge in energy prices drove the index down 1.3%. The bad news continued through Friday of last week as April retail sales declined 16.4% and industrial production was down 11.2%. Retail sales were down nearly 22% from the year before. Sales at restaurants & bars fell 29.5% general merchandise stores were down 20.8%, sales at food & beverage stores fell 13.1%, Gas station sales dropped 28.8%, non-store retailers (internet and mail-order) were up 8.4% in April and up 21.6% from a year ago. These sales now account for 19.4% of overall retail sales, an all-time record. “Core” sales, which exclude the most volatile categories of autos, building materials, and gas station sales, declined 17.2% in April and are down 17.6% from a year ago. Overall sales are down 21.6% from a year ago. Major economic reports (related consensus forecasts, prior data) for the upcoming week include: Tuesday: April Housing Starts (950K, 1216K); Wednesday: May 15 MBA Mortgage Applications (N/A, 0.3%); Thursday: May 16 Initial Jobless Claims (2,425K, 2,981K), May preliminary Markit US Manufacturing PMI (38.0, 36.1), April Leading Index (-5.7%, -6.7%) and April Existing Home Sales (4.30M, 5.27M).

| US Equities | | | |
|---------------------------|--------------------|--------------------------|----------------------------------|
| Weekly Index Performance: | | Market Indicators: | |
| DJIA: | 23,685.42 (-2.61%) | Strong Sectors: | Health Care, Cons Disc, Comm Svc |
| S&P 500: | 2,863.70 (-2.20%) | Weak Sectors: | Energy, Real Estate, Industrials |
| S&P Midcap: | 1,578.26 (-5.78%) | | |
| S&P Smallcap: | 712.38 (-7.55%) | | |
| NASDAQ Comp: | 9,014.56 (-1.15%) | NYSE Advance/Decline: | 498 / 2,538 |
| Russell 2000: | 1,256.99 (-5.42%) | NYSE New Highs/New Lows: | 73 / 130 |
| | | AAll Bulls/Bears: | 23.3% / 50.6% |

Equities moved lower for the week on negative economic reports and Federal Reserve Chairman Jerome Powell stating additional stimulus could be needed as the outlook is “highly uncertain and subject to significant downside risks”. The cautionary tone from the Fed Chairman and weak retail sales, which fell 16.4%, led to a 2.20% drop for the S&P 500 Index and a 5.42% drop for the Russell 2000 Index. Real estate was the worst performing sector as many tenants have skipped payments, especially in strip centers and traditional malls. In addition, cyclical sectors fell by more than the market as continued lockdowns have a larger impact on profits. **Southwest Airlines Co.**, **Delta Air Lines Inc.** and **American Airlines Group Inc.** all fell by over 10% for the week after IATI projected air traffic will not return to 2019 levels until 2023. By contrast, **United Natural Foods, Inc.** surged after pre-announced results were significantly above the street as consumers eat more meals at home. Net income grew by 54% versus last year’s quarter. **Cisco Systems Inc.**, one of the final technology firms to report, beat expectations as work-from-home equipment and security sales buoyed the tech giant. With more than 90% of firms reporting earnings, the S&P 500 is projected to see a 16.6% drop in EPS in the first quarter, led by a 64.2% drop from the consumer discretionary sector. S&P 500 EPS is projected to trough in 2Q with a 43% decline. Looking ahead to next week, **Walmart Inc.** and **Home Depot Inc.** are set to report results. Consumer discretionary stocks are the last sector to report results as many names have off-quarter period end dates. Traders will continue to monitor the path of the virus and reopening plans across the country as lockdowns ease.

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