

| US Economy and Credit Markets | | | |
|-------------------------------|------------------|-----------------------------------|-------------------|
| Yields and Weekly Changes: | | | |
| 3 Mo. T-Bill: | 0.109 (1.0 bps) | GNMA (30 Yr) 6% Coupon: | 109-24/32 (3.01%) |
| 6 Mo. T-Bill: | 0.117 (0.3 bps) | Duration: | 3.72 years |
| 1 Yr. T-Bill: | 0.129 (1.0 bps) | Bond Buyer 40 Yield: | 3.58 (1 bp) |
| 2 Yr. T-Note: | 0.127 (-1.6 bps) | Crude Oil Futures: | 37.33 (-2.44) |
| 3 Yr. T-Note: | 0.151 (-2.2 bps) | Gold Spot: | 1,940.55 (6.61) |
| 5 Yr. T-Note: | 0.252 (-4.7 bps) | Merrill Lynch High Yield Indices: | |
| 10 Yr. T-Note: | 0.666 (-5.2 bps) | U.S. High Yield: | 5.95 (5 bps) |
| 30 Yr. T-Bond: | 1.412 (-6.0 bps) | BB: | 4.49 (5 bps) |
| | | B: | 6.17 (3 bps) |

Longer-term Treasury yields fell last week while short-term yields rose slightly. On Tuesday, Treasury yields fell as investors bought government bonds amid the sharp decline in tech stocks. Initial jobless claims in the week ending September 5 were 884K, which were unchanged from the previous week's revised level. While initial claims remain above the pre-pandemic high of 695K, 884K is the lowest level of initial unemployment claims since broad economic shutdowns took effect in March, suggesting the labor market continues to make progress in its recovery. The Consumer Price Index rose 0.4% in August over the prior month, driven by a 5.4% increase in used-car prices, and 1.3% over the prior year. This week, the Fed is expected to leave rates unchanged following its policy meeting on Tuesday and Wednesday and may offer more details surrounding its recent policy change. The Fed said recently it would no longer preemptively raise interest rates to prevent higher inflation. Instead, it will wait to tighten monetary policy until there is clear evidence of inflation running above its target of 2%. Major economic reports (related consensus forecasts, prior data) for the upcoming week include Tuesday: August Industrial Production MoM (1.0%, 3.0%), September Empire Manufacturing (6.0, 3.7); Wednesday: September 16 FOMC Rate Decision – Upper Bound (0.25%, 0.25%), September 11 MBA Mortgage Applications (N/A, 2.9%), August Retail Sales Advance MoM (1.0%, 1.2%); Thursday: September 12 Initial Jobless Claims (850k, 884k), August Housing Starts (1,478k, 1,496k); Friday: September Preliminary U. of Mich. Sentiment (75.0, 74.1), August Leading Index (1.3%, 1.4%).

| US Equities | | | |
|---------------------------|--------------------|--------------------------|--|
| Weekly Index Performance: | | Market Indicators: | |
| DJIA: | 27,665.64 (-1.61%) | Strong Sectors: | Materials, Industrials, Utilities |
| S&P 500: | 3,340.97 (-2.49%) | Weak Sectors: | Energy, Information Technology, Communication Services |
| S&P Midcap: | 1,854.87 (-2.24%) | NYSE Advance/Decline: | 1,185 / 1,894 |
| S&P Smallcap: | 861.93 (-3.34%) | NYSE New Highs/New Lows: | 105 / 51 |
| NASDAQ Comp: | 10,853.54 (-4.05%) | AAII Bulls/Bears: | 23.7% / 48.5% |
| Russell 2000: | 1,497.27 (-2.45%) | | |

The S&P 500 Index returned -2.49% last week. The index has recorded gains for five consecutive months through August and is up 4.80% year-to-date. However, the first two weeks of September have trended down with the index currently down 4.50% for the month. Crude oil closed at \$37.33 per barrel on Friday, declining 6.14% for the week. This is the second straight week of losses, marking the largest two-week decline since April. Energy stocks have been under pressure posting the worst sector performance in the S&P 500 Index for the last two weeks and is the only sector in the index to be in negative territory during the third quarter of 2020. Energy company **Apache Corp** posted the worst performance in the index last week, returning -18.60%. Other poor performing energy companies included **Halliburton Company**, **Occidental Petroleum Corp**, **Concho Resources Inc.**, **Diamondback Energy Inc.**, **Devon Energy Corp**, and **TechnipFMC PLC** which all posted double digit declines last week. Information technology also suffered last week due to **Apple Inc.**, the largest weight in the S&P 500 Index, declining 7.41% and **Microsoft Corp** declining 4.77%. Semiconductor equipment stocks **Lam Research Corp**, **KLA Corp**, and **Applied Materials Inc.**, were the worst performing stocks in the sector, returning -11.75%, -11.08%, and -9.78% respectively. **Tapestry Inc.**, a premium fashion designer with brands such as Coach, Kate Spade, and Stuart Weitzman, took the top spot in the index returning 10.92%. The stock has struggled this year and is down 39% year-to-date. In mid-August, the company reported a smaller than expected loss for the previous quarter and earlier this month the company announced a reduction in workforce due to Covid-19. Speculators helped the stock jump last week as call option volumes were multiples higher than average. **Tesla Inc.**, the electric vehicle innovator that is up 345% in 2020, had its worst day ever on Tuesday declining 21.06%. Many investors had speculated that the stock would be added to the S&P 500 Index, but the index committee chose to add **Etsy Inc.**, **Teradyne Inc.**, and **Catalent Inc.**, to replace **H&R Block Inc.**, **Coty Inc.**, and **Kohl's Corp**. **Lennar Corp**, **Cracker Barrel Old Country Store Inc.**, **Adobe Inc.**, and **FedEx Corp** are expected to announce earnings this week.

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