

US Economy and Credit Markets			
Yields and Weekly Changes:			
3 Mo. T-Bill:	0.071 (1.3 bps)	GNMA (30 Yr) 6% Coupon:	109-08/32 (3.32%)
6 Mo. T-Bill:	0.081 (unch.)	Duration:	3.63 years
1 Yr. T-Bill:	0.096 (-0.8 bps)	Bond Buyer 40 Yield:	3.47 (1 bp)
2 Yr. T-Note:	0.133 (1.2 bps)	Crude Oil Futures:	52.24 (3.72)
3 Yr. T-Note:	0.219 (5.4 bps)	Gold Spot:	1,849.01 (-49.66)
5 Yr. T-Note:	0.483 (12.3 bps)	Merrill Lynch High Yield Indices:	
10 Yr. T-Note:	1.115 (20.2 bps)	U.S. High Yield:	4.96 (-4 bps)
30 Yr. T-Bond:	1.873 (22.8 bps)	BB:	3.80 (-1 bp)
		B:	5.38 (-2 bps)

Longer-term Treasury yields began the year moving significantly higher last week, with the U.S. 10-year Treasury yield rising above 1% for the first time since March. Yields rose after Democrats won control of the Senate, winning both runoff elections in Georgia, as the market priced in more economic stimulus and higher inflation. The 10-year breakeven rate, which gauges the market's expectation of inflation, topped 2% for the first time since 2018 last week. The jobs report released on Friday showed the U.S. lost 140,000 jobs in December, which broke a streak of 7 months of job growth since the economy lost over 20 million jobs in April. Restaurants and bars bore the brunt of the decline, losing 372,000 jobs last month. The unemployment rate remained at 6.7%, which remains elevated from pre-pandemic levels but is still a significant recovery from the 14.8% unemployment rate in April. Meanwhile, manufacturing finished the year strongly with the ISM Manufacturing Index beating expectations and registering its highest level since 2018. Major economic reports (related consensus forecasts, prior data) for the upcoming week include Wednesday: December CPI MoM (0.4%, 0.2%), January 8 MBA Mortgage Applications (N/A, 1.7%); Thursday: January 9 Initial Jobless Claims (785k, 787k); Friday: January Preliminary U. of Mich. Sentiment (80.0, 80.7), December Retail Sales Advance MoM (0.0%, -1.1%), December Industrial Production MoM (0.4%, 0.4%), December PPI Final Demand MoM (0.4%, 0.1%), January Empire Manufacturing (5.7, 4.9).

US Equities			
Weekly Index Performance:		Market Indicators:	
DJIA:	31,097.97 (1.66%)	Strong Sectors:	Energy, Materials, Financials
S&P 500:	3,824.68 (1.87%)	Weak Sectors:	Utilities, Cons. Staples, Real Estate
S&P Midcap:	2,416.37 (4.77%)	NYSE Advance/Decline:	2,103 / 1,127
S&P Smallcap:	1,190.26 (6.39%)	NYSE New Highs/New Lows:	649 / 27
NASDAQ Comp:	13,201.98 (2.45%)	AAII Bulls/Bears:	54.0% / 26.6%
Russell 2000:	2,091.66 (5.93%)		

Equity markets surged higher on expectations that Washington DC is poised to deliver more financial stimulus. The Senate runoff races in Georgia were both won by Democrats and they have been promising \$2000 stimulus checks to a large portion of the U.S. population. As a result, inflation expectations and a potential rise in economic activity fueled the S&P 500 index to a 1.59% gain last week. Cyclical led the way as Energy, Materials and Financials were the top three sectors. Oil rallied to over \$50 for the first time since last February on news that Saudi Arabia decided to cut oil production as inventories are falling. Last week, four of the top ten performing stocks in the S&P 500 were energy names. They were up an average of 19.31% with oil servicing company **TechnipFCM PLC** up 24.46% as the top performing Energy name. With the cyclical rally, value trounced growth as the S&P 500 Value index was up 2.35% and the S&P 500 Growth index managed only a 0.37% return. **Tesla Inc.** returned 24.70% last week which pushed its market cap to \$834b, 5<sup>th</sup> largest in U.S. names passing **Facebook Inc.** This week's rally also pushed Tesla Founder/CEO Elon Musk to the top of the world wealth list with \$209b, passing **Amazon.Com Inc** Founder/CEO Jeff Bezos who is worth a meager \$186b. **Walgreens Boots Alliance Inc.** announced 4Q earnings and revenue higher than analyst estimates. Walgreens also announced a plan to sell their **Alliance Healthcare** wholesaling business to **AmerisourceBergen Corp.** for \$6.5b. Walgreens is seeking a business restructuring after losing half of its market cap over the last few years. Looking ahead to next week, we remain constructive on equities. News headlines on the size of Government stimulus will likely push stocks higher or lower. The 10-year Treasury went from 92bps to 112bps last week and as stimulus expectations grow its likely that inflation and interest rate expectations will grow in lockstep. Equities have historically been a very strong inflation hedge and we believe that will continue.

The information presented is not intended to constitute an investment recommendation for, or advice to, any specific person. By providing this information, First Trust is not undertaking to give advice in any fiduciary capacity within the meaning of ERISA, the Internal Revenue Code or any other regulatory framework. Financial professionals are responsible for evaluating investment risks independently and for exercising independent judgment in determining whether investments are appropriate for their clients.