

US Economy and Credit Markets			
Yields and Weekly Changes:			
3 Mo. T-Bill:	0.048 (-0.3 bps)	GNMA (30 Yr) 6% Coupon:	108-30 ^{3/4} /32 (3.59%)
6 Mo. T-Bill:	0.056 (-0.5 bps)	Duration:	4.00 years
1 Yr. T-Bill:	0.119 (1.0 bps)	Bond Buyer 40 Yield:	3.49 (-2 bps)
2 Yr. T-Note:	0.497 (4.4 bps)	Crude Oil Futures:	83.57 (-0.19)
3 Yr. T-Note:	0.754 (-1.5 bps)	Gold Spot:	1,769.15 (-39.10)
5 Yr. T-Note:	1.183 (-1.3 bps)	Merrill Lynch High Yield Indices:	
10 Yr. T-Note:	1.552 (-8.0 bps)	U.S. High Yield:	4.76 (1 bp)
30 Yr. T-Bond:	1.933 (-13.6 bps)	BB:	3.74 (unch.)
		B:	5.29 (2 bps)

Yield curve flattening picked up steam last week as central banks prepare to taper easy-money policies implemented at the onset of the pandemic. Longer-term US Treasury rates fell on lower growth expectations while shorter-term rates held relatively flat in expectation of the Fed beginning to raise rates next year. The gap between the 5-year US Treasury yield and 30-year yield narrowed to its smallest level since March 2020. The U.S. economy grew at an annual rate of 2.0% in the third quarter, which was slower than expected, as supply chain issues weighed on growth. It was the slowest pace since the recovery began in the third quarter of 2020. Consumer spending growth also slowed in September, growing 0.6% compared to 1% in August. The Fed meets on Tuesday and Wednesday this week and is widely expected to keep rates unchanged, before raising rates in 2022. The Fed is also expected to announce the tapering of its monthly asset purchases, which it signaled in September. Major economic reports (related consensus forecasts, prior data) for the upcoming week include Monday: October ISM Manufacturing (60.3, 61.1), October Final Markit US Manufacturing PMI (59.2, 59.2), September Construction Spending MoM (0.5%, 0.0%); Wednesday: November 3 FOMC Rate Decision – Upper Bound (0.25%, 0.25%), October 29 MBA Mortgage Applications (N/A, 0.3%), September Final Durable Goods Orders (N/A, -0.4%), October ADP Employment Change (400k, 568k), September Factor Orders (-0.2%, 1.2%); Thursday: October 30 Initial Jobless Claims (278k, 281k), September Trade Balance (-\$75.0b, -\$73.3b); Friday: October Change in Nonfarm Payrolls (400k, 194k), October Unemployment Rate (4.7%, 4.8%).

US Equities			
Weekly Index Performance:		Market Indicators:	
DJIA:	35,819.56 (0.4%)	Strong Sectors:	Cons. Discretionary, Comm. Services
S&P 500:	4,605.38 (1.35%)		Information Technology
S&P Midcap:	2,794.11 (-0.08%)	Weak Sectors:	Utilities, Energy
S&P Smallcap:	1,376.46 (-0.33%)		Financials
NASDAQ Comp:	15,498.39 (2.72%)	NYSE Advance/Decline:	1671/1,615
Russell 2000:	2,297.191 (0.27%)	NYSE New Highs/New Lows:	207/22
		AAll Bulls/Bears:	39.8%/29.4%

The S&P 500 Index reached new all-time highs this week and returned 1.39% as markets digested the early 3Q21 earnings season. The large cap index rebounded from a negative September to finish October up over 6%: the strongest monthly return since November of 2020. Earnings season is in full swing with 279 of the companies in the S&P 500 having reported. 82% have beaten earnings expectations and 67% have beaten revenue expectations. The strongest results have come from Financials and Energy while Industrials have lagged. Supply chain issues have been a common theme among companies reporting in several sectors. Mentions of “supply chain” in quarterly earnings calls were up 58% during the 2Q21 earnings season versus 4Q20 and the current season is on track to be the highest in the 21st century. The largest companies in the S&P 500 reported this week as **Tesla, Inc.** (TSLA, +18.4%), **Microsoft, Inc.** (MSFT, +4.9%), **Alphabet, Inc.** (GOOGL, +6.0%), **Amazon, Inc.** (AMZN, 3.3%), **Apple, Inc.** (AAPL, 2.6%), and **Facebook, Inc.** (FB, -2.3%) collectively led the market higher. Tesla, Microsoft, and Alphabet all had stellar results, while Amazon, Apple, and Facebook struggled in the prior quarter. Mark Zuckerberg doubled down on efforts to promote the metaverse and announced that Facebook, Inc. is changing its name to Meta Platforms, Inc., effective in December. The top sector during the week was Consumer Discretionary which was fueled by a strong week by Tesla, Inc. while Financials was the worst performing sector during the week. Early reported estimates of 3Q21 GDP growth of 2% year over year indicated a significant slowdown in economic activity from the second quarter but still near or above the long-term goal of the Fed. In the week ahead we expect to see earnings results from oil stocks BP and Marathon Petroleum, and video game makers Activision Blizzard, Electronic Arts, and Take-Two Interactive, as well as news from the November Fed meeting on Wednesday.

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