

| US Economy and Credit Markets | | | |
|-------------------------------|------------------|-----------------------------------|-------------------|
| Yields and Weekly Changes: | | | |
| 3 Mo. T-Bill: | 0.048 (0.5 bps) | GNMA (30 Yr) 6% Coupon: | 106-13/32 (4.22%) |
| 6 Mo. T-Bill: | 0.112 (2.5 bps) | Duration: | 3.63 years |
| 1 Yr. T-Bill: | 0.251 (0.3 bps) | Bond Buyer 40 Yield: | 3.45 (0 bps) |
| 2 Yr. T-Note: | 0.654 (6.7 bps) | Crude Oil Futures: | 71.67 (+5.41) |
| 3 Yr. T-Note: | 0.987 (13.7 bps) | Gold Spot: | 1,782.84 (-0.45) |
| 5 Yr. T-Note: | 1.250 (11.8 bps) | Merrill Lynch High Yield Indices: | |
| 10 Yr. T-Note: | 1.484 (14.1 bps) | U.S. High Yield: | 4.99 (-12 bps) |
| 30 Yr. T-Bond: | 1.878 (20.5 bps) | BB: | 3.99 (-9 bps) |
| | | B: | 5.47 (-14 bps) |

U.S. Treasury bond yields increased across the yield curve last week. Yield increases were led by the longer maturity end of the yield curve, which saw the largest weekly yield increases in months. At the end of the week, investors turned their attention to inflation data, which has been a key topic as the economy navigates COVID-19 related headwinds. The Consumer Price Index, or CPI, increased 0.8% in November, which came in 0.1% higher than expected. The CPI is up nearly 6.8% versus a year ago with real average hourly earnings down nearly 2% on the year. Though the CPI report was largely in-line with expectations, Friday's CPI data further supports the realization that inflation is not transitory and puts an even more critical eye on next week's FOMC meeting. Major economic reports (related consensus forecasts, prior data) for the upcoming week include Tuesday: November NFIB Small Business Optimism (98.4, 98.2), November PPI Final Demand MoM (0.5%, 0.6%), November PPI Final Demand YoY (9.2%, 8.6%); Wednesday: December 10 MBA Mortgage Applications (N/A, 2.0%), December Empire Manufacturing (25.0, 30.9), November Retail Sales Advance MoM (0.8%, 1.7%), December 15 FOMC Rate Decision (Upper Bound) (0.25%, 0.25%); Thursday: December 11 Initial Jobless Claims (200k, 184k), December 4 (N/A, 1992k), November Housing Starts (1570k, 1520k), November Building Permits (1660k, 1650k), December Philadelphia Fed Business Outlook (28.5, 39.0), November Industrial Production MoM (0.7%, 1.6%), November Capacity Utilization (76.8%, 76.4%), December 12 Langer Consumer Comfort (N/A, 51.0), December Preliminary Markit US Manufacturing PMI (58.5, 58.3), December Preliminary Markit US Composite PMI (N/A, 57.2), December Preliminary Markit US Services PMI (58.8, 58.0).

| US Equities | | | |
|---------------------------|-------------------|--------------------------|------------------------|
| Weekly Index Performance: | | Market Indicators: | |
| DJIA: | 35,970.99 (4.05%) | Strong Sectors: | Info. Tech., Energy, |
| S&P 500: | 4,712.02 (3.84%) | | Cons. Staples |
| S&P Midcap: | 2,779.84 (2.91%) | Weak Sectors: | Financials, Utilities, |
| S&P Smallcap: | 1,377.61 (2.69%) | | Cons. Discretionary |
| NASDAQ Comp: | 15,630.60 (3.62%) | NYSE Advance/Decline: | 2,476 / 1,064 |
| Russell 2000: | 2,211.81 (2.45%) | NYSE New Highs/New Lows: | 186 / 244 |
| | | AAII Bulls/Bears: | 29.7% / 30.5% |

Equities moved higher after risks that the Omicron COVID variant would slow down economic activity waned. The S&P 500 index returned 3.84% last week, closing Friday at an all-time high. Technology, materials, and energy names outpaced other sectors because of heightened inflation expectations. YOY growth in CPI hit 6.8%, the highest inflation rate in 39 years, cementing the hawkish tone from the Federal Reserve Chairman. The reopen trade ripped higher after a soft few weeks as Omicron risks subsided. Cruise lines **Norwegian Cruise Line Holdings** and **Royal Caribbean Cruises** were both up over 13% last week; airline names **United Airlines** and **American Airlines Group** were both up over 8%; hotel names **Marriott International** and **Hyatt Hotels** were both up over 7%; travel booking names **Expedia** and **Booking.com** were up over 5% and ticketing/venue company **Live Nation Entertainment** rallied over 10% as shutdown risks were lower. There were several earnings announcements last week as well. **Oracle** announced earnings and revenue that beat expectations as the stock rallied 16.31% last week. The technology infrastructure company announced service and license support revenue for their cloud offerings which topped expectations, which rallied their stock to close Friday at an all-time high. Technology component producer **Broadcom Inc.** also closed Friday at an all time high, rallying 13.18% last week after announcing earnings and revenue above market expectations. The company said their sales are booked out almost the whole of 2022 and the CEO warned that some areas seem excessively hot. Despite all-time highs in equities, our outlook remains positive. For the buy and hold investor, equities have always been a great inflation hedge and corporate earnings along with the U.S. consumer remain strong.

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.