

US Economy and Credit Markets			
Yields and Weekly Changes:			
3 Mo. T-Bill:	0.030 (-1.8 bps)	GNMA (30 Yr) 6% Coupon:	105-26/32 (4.37%)
6 Mo. T-Bill:	0.119 (0.8 bps)	Duration:	3.75 years
1 Yr. T-Bill:	0.244 (-0.8 bps)	Bond Buyer 40 Yield:	3.45 (0 bps)
2 Yr. T-Note:	0.638 (-1.7 bps)	Crude Oil Futures:	70.86 (-0.81)
3 Yr. T-Note:	0.918 (-6.9 bps)	Gold Spot:	1,798.11 (15.27)
5 Yr. T-Note:	1.175 (-7.5 bps)	Merrill Lynch High Yield Indices:	
10 Yr. T-Note:	1.402 (-8.2 bps)	U.S. High Yield:	4.99 (unch.)
30 Yr. T-Bond:	1.806 (-7.1 bps)	BB:	3.97 (-2 bps)
		B:	5.46 (-1 bps)

Treasury yields dropped moderately over the course of the week as the Federal Reserve announced policy expectations during their December meeting. The Fed determined it will taper monthly asset purchases more quickly than before, reducing from \$60 billion a month to \$30 billion. Fed officials also announced that they expect 3 rate hikes in 2022 and raised inflation forecasts for 2023 but kept their long-term projection for the fed funds rate at 2.5%. Fed Chairman Jerome Powell said that the Fed would attempt to keep elevated inflation from becoming more permanent and that it may take some time to return to higher workforce participation. This came after the Producer Price Index Final Demand increased 9.6% YoY, exceeding analyst expectations of 9.2%. Treasury yields did rise Wednesday on the Fed's announcement, but dropped for the whole week on concerns over the omicron variant and doubts that the Fed would be able to push interest rates higher. The market implied probability of a rate hike by the May 2022 meeting increased 10% on Wednesday. For the week it increased to 87% from 73%. Major economic reports (related consensus forecasts, prior data) for the upcoming holiday-shortened week include: Monday: November Leading Index (0.9%, 0.9%); Wednesday: December 17 MBA Mortgage Applications (n/a, -4.0%), 3rd Quarter (Third) Annualized GDP QoQ (2.1%, 2.1%), December Conf. Board Consumer Confidence (110.6, 109.5), November Existing Home Sales (6.56m, 6.34m); Thursday: November Personal Income (0.5%, 0.5%), November Personal Spending (0.5%, 1.3%), December 18 Initial Jobless Claims (203k, 206k), November Prelim. Durable Goods Orders (1.5%, -0.4%), December Final U. Of Mich. Sentiment (70.4, 70.4), November New Home Sales (770k, 745k).

US Equities			
Weekly Index Performance:		Market Indicators:	
DJIA:	35,365.44 (-1.67%)	Strong Sectors:	Health Care, Real Estate, Consumer Staples
S&P 500:	4,620.64 (-1.91%)	Weak Sectors:	Energy, Consumer Disc., Information Technology
S&P Midcap:	2,728.08 (-1.82%)	NYSE Advance/Decline:	1,117 / 2,435
S&P Smallcap:	1,345.15 (-2.31%)	NYSE New Highs/New Lows:	193 / 425
NASDAQ Comp:	15,169.68 (-2.93%)	AAll Bulls/Bears:	25.2% / 39.3%
Russell 2000:	2,173.93 (-1.68%)		

Stocks traded lower last week on renewed fears of Covid induced restrictions due to increased cases led by the Omicron variant. The S&P 500 was down almost 2% and the technology-heavy NASDAQ Composite Index lost about 3%. The Federal Reserve also moved markets last week as Chairman Jerome Powell outlined the central banks' plans for raising interest rates next year and winding down bond purchases which have helped to keep rates low. The policy shift was met with a positive move in stocks on Wednesday, followed by two consecutive sell-offs to finish out the week. The selling on Thursday and Friday was viewed as a "de-risking" trade going into options expiration on Friday. Energy stocks in the S&P 500 were the worst-performing sector last week as crude traded lower to close at just under \$71 a barrel. A note from Goldman Sachs outlined a bullish case for oil. The bank predicts \$85 oil next year and the possibility of triple-digit prices resulting from either higher drilling costs due to inflation or an unexpected supply shortfall. This longer-term bullish call comes after a 40% rally this year in oil prices. Health Care stocks in the S&P 500 were the best performing group last week. The top 6 best-performing stocks in the index were all Health Care names, with big pharma names **Moderna, Pfizer, Eli Lilly, and Bristol-Myers Squibb** leading the way. **Cerner Corp**, was the best performing company in the index. News that **Oracle** is in talks to buy the medical-records company for around \$30 billion dollars lifted the stock by over 16% in premarket trading on Friday. The deal would be Oracle's largest to date upon completion. Looking ahead to next week, GDP, home sales, and jobless claims are on the calendar before the Christmas holiday.

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