

US Economy and Credit Markets			
Yields and Weekly Changes:			
3 Mo. T-Bill:	0.020 (-2.8 bps)	GNMA (30 Yr) 6% Coupon:	110-21/32 (2.95%)
6 Mo. T-Bill:	0.043 (-2.3 bps)	Duration:	3.63 years
1 Yr. T-Bill:	0.051 (-2.5 bps)	Bond Buyer 40 Yield:	3.41 (-2 bps)
2 Yr. T-Note:	0.101 (-0.8 bps)	Crude Oil Futures:	56.85 (+4.65)
3 Yr. T-Note:	0.176 (0.6 bps)	Gold Spot:	1,814.11 (-33.54)
5 Yr. T-Note:	0.462 (4.3 bps)	Merrill Lynch High Yield Indices:	
10 Yr. T-Note:	1.164 (9.8 bps)	U.S. High Yield:	4.81 (-10 bps)
30 Yr. T-Bond:	1.971 (14.2 bps)	BB:	3.74 (-7 bps)
		B:	5.28 (-2 bps)

Last week, the steepening yield curve trend continued with shorter-dated US Treasury bond yields down and longer-dated US Treasury bond yields higher. The two-year Treasury note yield matched record lows on Friday, while the 10-year US Treasury bond yield hit year-to-date highs. Monday's ISM Manufacturing Index survey missed the consensus expectation but signaled manufacturing expansion. Most notably, the manufacturing employment index and supplier deliveries increased. Tuesday's ISM Non-Manufacturing Index survey came in stronger than expected, while signaling further expansion. New orders hit a six-month high and the non-manufacturing employment index increased. Headline jobs data came in lighter than expected on Friday. Nonfarm payrolls increased 49,000 in January, well short of the consensus expectation of 105,000 for the month. On a positive note, unemployment fell 0.4% in January to 6.3% and average weekly hours rose to a record high. Major economic reports (related consensus forecasts, prior data) for the upcoming week include Tuesday: January NFIB Small Business Optimism (97.5, 95.9); Wednesday: February 5 MBA Mortgage Application (N/A, 8.1%), January CPI MoM (0.3%, 0.4%), January CPI YoY (1.5%, 1.4%), December Final Wholesale Inventories MoM (0.1%, 0.1%), January Monthly Budget Statement (-\$300.0b, -\$143.6b); Thursday: February 6 Initial Jobless Claims (753k, 779k), January 30 Continuing Claims (4410k, 4592k); Friday: February Preliminary University of Michigan Sentiment (80.9, 79.0).

US Equities			
Weekly Index Performance:		Market Indicators:	
DJIA:	31,148.24 (3.90%)	Strong Sectors:	Energy, Comm. Services, Financials
S&P 500:	3,886.83 (4.67%)	Weak Sectors:	Cons. Staples, Utilities, Health Care
S&P Midcap:	2,476.67 (5.87%)	NYSE Advance/Decline:	2,845 / 459
S&P Smallcap:	1,252.75 (5.41%)	NYSE New Highs/New Lows:	492 / 26
NASDAQ Comp:	13,856.30 (6.04%)	AAll Bulls/Bears:	37.4% / 35.6%
Russell 2000:	2,233.33 (7.72%)		

Equity markets surged higher as COVID concerns waned and quarterly earnings reports surpassed most estimates. The S&P 500 Index returned 4.67% last week, the best weekly return since early November. Equity markets were risk on as cyclical sectors trounced non-cyclicals. All 11 GICS sectors finished higher last week but cyclical sectors Energy, Communication Services, Financials and Consumer Discretionary were all up over 6%, while non-cyclical sectors Health Care, Utilities and Consumer Staples were up less than 3%. Earnings season was in full gear as 108 names in the S&P 500 announced quarterly results. The median earnings surprise was 6.95% higher than analyst estimates, a primary driver of equity returns last week. Among the most notable releases was **Alphabet Inc.** (Google's parent company) which, for the first time, reported their cloud business as a separate segment. Their cloud segment showed a smaller than expected loss but more importantly showed significant investment and profit expectations as they continue to grow. Alphabet showed YouTube TV advertising revenue of \$7b which helped to fuel a 4Q profit higher than expectations and a 14.31% return last week. **PayPal Holdings Inc.**, which also owns popular cash management app Venmo, announced quarterly earnings and revenue above expectations as the stock returned 14.99% last week. Boosting returns was news that Venmo was on track to produce \$900m in revenue in 2021, crypto currency volume exceeded expectations and PayPal expects to add a crypto offering to Venmo in 2021. The S&P 1500 Casinos & Gaming Index returned 18.79% as a rise in online betting and COVID reopening remained significant tailwinds for the industry. **Penn National Gaming Inc.**, **MGM Resorts International**, **Wynn Resorts LTD**, **Caesars Entertainment Inc.** and **Las Vegas Sands Corp.**, the five largest names in the index, were all up more than 15% last week. Looking ahead to next week, earning season continues as 82 companies in the S&P 500 Index are expected to report quarterly results. Among those expected to report are **The Walt Disney Co.**, **General Motors Co.**, **The Coca-Cola Co.**, **Dupont De Nemours Inc.** and **Twitter Inc.**

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.