

US Economy and Credit Markets			
Yields and Weekly Changes:			
3 Mo. T-Bill:	0.030 (-0.8 bps)	GNMA (30 Yr) 6% Coupon:	109-15/32 (3.43%)
6 Mo. T-Bill:	0.041 (-0.5 bps)	Duration:	3.98 years
1 Yr. T-Bill:	0.063 (-0.3 bps)	Bond Buyer 40 Yield:	3.43 (unch.)
2 Yr. T-Note:	0.222 (0.9 bps)	Crude Oil Futures:	71.97 (2.25)
3 Yr. T-Note:	0.470 (2.7 bps)	Gold Spot:	1,754.34 (-33.24)
5 Yr. T-Note:	0.860 (4.4 bps)	Merrill Lynch High Yield Indices:	
10 Yr. T-Note:	1.362 (2.1 bps)	U.S. High Yield:	4.55 (-5 bp)
30 Yr. T-Bond:	1.899 (-3.5 bps)	BB:	3.52 (-3 bp)
		B:	5.10 (-6 bps)

Yields rose in the middle portion of the yield curve last week in anticipation of next week's Federal Open Market Committee (FOMC) meeting. Tapering is expected to begin November 2021, according to a Bloomberg survey of economists, but Chairman Powell has indicated that the decision to taper asset purchases will be made independent of any decision to raise interest rates. With unemployment still above 2019 levels, the Federal Reserve is expected to be patient on increasing rates. As the discussion over inflation, and whether it is transitory or not continues, last Tuesday's Consumer Price Index (CPI) offered a little bit of everything, for everybody. It increased 0.3% in August, lagging consensus expectations. The CPI is up 5.3% from a year ago even with August's lower than expected reading. Generally, a CPI reading ahead of long-term bond yields is not a sustainable condition as historically investors demand enough yield from bonds to offset inflation. How long the market will wait to decide if the readings are transitory or not may well determine how aggressive the Federal Reserve must be in deciding on its timing for hiking rates. Industrial Production numbers, reported last Wednesday, were up 0.4% in August, but lagged consensus, partially due to worse than expected shutdowns resulting from hurricane Ida. Major economic reports (related consensus forecasts, prior data) for the upcoming week include Tuesday: August Housing Starts (1.55M, 1.534M); Wednesday: September 17 MBA Mortgage Applications (N/A, 0.3%), August Existing Home Sales (5.87M, 5.99M) and the September 22 FOMC Rate Decision (Lower Bound 0.00%, Upper Bound 0.25%); Thursday: September 18 Initial Jobless Claims (320K, 332K), September preliminary Markit US Manufacturing PMI (60.5, 61.1); Friday: August New Home Sales (710K, 708K).

US Equities			
Weekly Index Performance:		Market Indicators:	
DJIA:	34,584.88 (-0.05%)	Strong Sectors:	Energy, Cons Disc, Financials
S&P 500:	4,432.99 (-0.55%)	Weak Sectors:	Materials, Utilities, Industrials
S&P Midcap:	2,678.06 (-0.27%)	NYSE Advance/Decline:	1,670 / 1,801
S&P Smallcap:	1,331.35 (+0.37%)	NYSE New Highs/New Lows:	239 / 132
NASDAQ Comp:	15,043.97 (-0.46%)	AAll Bulls/Bears:	22.4% / 39.3%
Russell 2000:	2,236.87 (+0.45%)		

Equities ended the week lower on mixed economic data points, fears of economic contagion in China's real estate market, and profit warnings from a handful of industrial stocks. Despite the rise and now declining covid-19 cases domestically, the U.S. consumer remains healthy with retail sales rising by 0.7% over last month. Inflation moderated slightly in August with CPI rising by 0.3% month-over-month but remained above trend. Industrial production missed expectations due to Hurricane Ida and supply chain inefficiencies. Conference season has led to a cautious tone in the near term for many cyclically sensitive names. **The Timken Company**, a maker of ball bearings, lowered guidance on supply chain disruptions, rising input prices, and manufacturing inefficiencies. **Dover Corp.** sees robust demand; however, rising costs are likely to impact margins in the upcoming quarter. Energy stocks were the big winners for the week as supply has not recovered from Hurricane Ida, leading to crude finishing the week above \$70 per barrel. Mega-cap tech was also a drag on the broader market as shares of **Apple Inc.** moved lower for the week after introducing their new slate of iPhones. **Facebook Inc.** fell 3.7% for the week on bad press as the platform has allowed criminal activity and poses risks to young people's mental health. As we look ahead, investors will be focused on next week's Fed meeting and the timing of a potential tapering. While tapering is viewed as a potential negative catalyst in the near term, strong economic growth coupled with record corporate profits can potentially keep the market moving higher.

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