

| US Economy and Credit Markets | | | |
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| Yields and Weekly Changes: | | | |
| 3 Mo. T-Bill: | 4.046 (11.9 bps) | Bond Buyer 40 Yield: | 5.25 (8 bps) |
| 6 Mo. T-Bill: | 4.476 (10.8 bps) | Crude Oil Futures: | 87.90 2.85) |
| 1 Yr. T-Bill: | 4.529 (2.4 bps) | Gold Spot: | 1,644.86 (-12.83) |
| 2 Yr. T-Note: | 4.414 (-5.8 bps) | Merrill Lynch High Yield Indices: | |
| 3 Yr. T-Note: | 4.366 (-14.7 bps) | US High Yield: | 8.93 (-58 bps) |
| 5 Yr. T-Note: | 4.184 (-15.7 bps) | BB: | 7.21 (-53 bps) |
| 10 Yr. T-Note: | 4.012 (-20.4 bps) | B: | 9.20 (-64 bps) |
| 30 Yr. T-Bond: | 4.141 (-19.2 bps) | | |

A growing economy and continued low unemployment data leave the Federal Reserve primed to raise interest rates to fight inflation. Next week features the November meeting of FOMC officials and markets anticipate a 75 bps Federal Fund rate increase. However, last week featured much discussion of a possible change of pace for rate hikes past November. Dollar strength, some weakening economic data and easing inflation pressures may allow the Federal Reserve to pace down from 75 bps increases. If the Federal Reserve raises 75 bps as anticipated, this will result in a 3.75% lower bound rate. The latest Dot Plot forecast shows a median implied target funds rate of 4.625% by year-end 2023, 3.875% by year-end 2024 and 2.875% by year-end 2025. Considering that in March of 2022 the dot plot featured year-end median implied federal funds target rate expectations of 2.75% (2023), 2.75% (2024) and 2.375% (long-term), this year has featured a radical shift in near term Federal Reserve rate expectations. However, with fund rates still running well below inflation, the current expectations embedded in the dot plot still imply rapid and meaningful improvement to inflation. Last Thursday's Real GDP release showed the US GDP expanding by an annual rate of 2.6% in Q3; expansionary, but core GDP grew an underwhelming 0.1%. Major economic reports (related consensus forecasts, prior data) for the upcoming week include Monday: October MNI Chicago PMI (47.2, 45.7); Tuesday: October final S&P Global US Manufacturing PMI (49.9, unch.), October ISM Manufacturing (50.0, 50.9); Wednesday: October 28 MBA Mortgage Applications (N/A, -1.7%), October ADP Employment Change (180k, 208k), FOMC Rate Decision Upper Bound (4.00%, 3.00%) and FOMC Rate Decision Lower Bound (3.75, 3.00%) ; Thursday: October 29 Initial Jobless Claims (220k, 217k), September Trade Balance (-\$72.0b, -67.4b), September Factor Orders (0.3%, 0.0%) and September final Durable Goods Orders (0.4%, 0.4%); Friday: October Change in Nonfarm Payrolls (191k, 263k) and October Unemployment Rate (3.6%, 3.5%).

| US Equities | | | |
|---------------------------|-------------------|--------------------------|-----------------------------|
| Weekly Index Performance: | | Market Indicators: | |
| DJIA: | 32,861.80 (5.72%) | Strong Sectors: | Industrials, Utilities |
| S&P 500: | 3,901.06 (3.97%) | | Financials |
| S&P Midcap: | 2,434.93 (5.33%) | Weak Sectors: | Energy, Cons. Discretionary |
| S&P Smallcap: | 1,196.85 (6.17%) | | Comm. Services |
| NASDAQ Comp: | 11,102.45 (2.25%) | NYSE Advance/Decline: | 2,259/941 |
| Russell 2000: | 1,846.92 (6.02%) | NYSE New Highs/New Lows: | 40/548 |
| | | AAII Bulls/Bears: | 26.6%/45.7% |

The S&P 500 Index rose nearly 4% solidifying two consecutive weeks of recovery from lows earlier in the month. The index currently sits almost 9% above the most recent bear market low. October will likely finish as another whipsaw month returning nearly 9% as four of the last six months have seen the index move up or down greater than 8%. Industrials were the best performing sector during the week as every GICS sector returned positively with the exception of Communications Services which was heavily weighed down by Meta Platforms, Inc. The week's news was dominated by mega cap company earnings as Apple (AAPL, +5.8%) impressed and Meta Platforms (META, -23.7%) and Amazon (AMZN, -13.3%) disappointed. Apple had its largest one-day gain since July 2020 as its earnings and revenue beat analyst expectations while Meta Platforms, Microsoft, Alphabet, and Amazon lost a combined \$477B in market value on Friday. In other news, shareholders of Twitter (TWTR, +7.8%) were finally given closure as Elon Musk completed his purchase of the social media company and paid the original deal price of \$54.20 per share. The company takeover was the largest leveraged buyout in history at a \$44B valuation. Despite a paucity of IPO activity in 2022, Mobileye (MBLY, +28.5%) made its return to public markets after being acquired by Intel in 2017 and spinning off just a few years later. The best performing stock in the S&P 500 this week was Universal Health Services (UHS, +30.0%) as the company reported results that were better than feared. The worst performing stock was Meta Platforms which revealed plans to spend tens of billions of dollars over the coming year on metaverse infrastructure. Third quarter earnings season is in full swing with 168 companies representing around 18% weight of the S&P 500 set to report in the next week.

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