

US Economy and Credit Markets			
Yields and Weekly Changes:			
3 Mo. T-Bill:	4.248 (-1.3 bps)	Bond Buyer 40 Yield:	4.53 (-13 bps)
6 Mo. T-Bill:	4.629 (-4.2 bps)	Crude Oil Futures:	79.98 (+3.70)
1 Yr. T-Bill:	4.628 (-8.8 bps)	Gold Spot:	1,797.63 (+42.70)
2 Yr. T-Note:	4.272 (-18.1 bps)	Merrill Lynch High Yield Indices:	
3 Yr. T-Note:	3.977 (-22.2 bps)	US High Yield:	8.51 (-22 bps)
5 Yr. T-Note:	3.652 (-20.6 bps)	BB:	6.93 (-13 bps)
10 Yr. T-Note:	3.486 (-19.1 bps)	B:	8.76 (-19 bps)
30 Yr. T-Bond:	3.548 (-18.5 bps)		

Treasury yields dropped significantly over the course of the week as the Federal Reserve signaled that the pace of rate hikes may soon slow down. Early in the week, yields rose moderately as St. Louis Fed President James Bullard indicated that the Fed would have to keep borrowing costs high for years to come, likely above 5% for 2023 and possibly into 2024, in order to cool down inflation. However, yields sharply reversed on Wednesday and dropped dramatically as Fed Chairman Jerome Powell gave more dovish comments. The chairman said that “the time for moderating the pace of rate increases may come as soon as the December meeting,” which is on December 14th. The Fed’s Beige Book report, which was also released Wednesday, showed a steadily growing U.S. economy and easing inflation. Yields continued to drop significantly on Thursday as the personal-consumption expenditures index, the preferred gauge of inflation for the Fed, rose at a yearly rate of 6.0% in October, which was down from 6.2% in the prior month. According to the market implied probability of rate hikes, the Federal Reserve was already certain to increase rates 50 basis points in December, but the chances of a 75 basis point increase dropped to just 5% on Wednesday and ended the week at just 7%. On Friday, the Change in Nonfarm Payrolls for November was 263k, which was materially above expectations of 200k. This caused short-term yields to rebound moderately as investors speculated that the economy is still running hotter than desired and rate increases may have to extend further into 2023 than expected. Major economic reports (related consensus forecasts, prior data) for the upcoming week include Monday: October Factory Orders (0.7%, 0.3%), October Final Durable Goods Orders (1.0%, 1.0%); Tuesday: October Trade Balance (-\$79.9b, -\$73.3b); Wednesday: December 2 MBA Mortgage Applications (n/a, -0.8%); Thursday: December 3 Initial Jobless Claims (230k, 225k); Friday: November PPI Final Demand MoM (0.2%, 0.2%), December Prelim. U. of Mich. Sentiment (56.9, 56.8).

US Equities			
Weekly Index Performance:		Market Indicators:	
DJIA:	34,429.88 (0.41%)	Strong Sectors:	Comm Services, Health Care, Consumer Discretionary
S&P 500:	4,071.70 (1.19%)	Weak Sectors:	Energy, Financials, Utilities
S&P Midcap:	2,574.00 (0.61%)	NYSE Advance/Decline:	2,239 / 1,156
S&P Smallcap:	1,245.36 (1.08%)	NYSE New Highs/New Lows:	238 / 157
NASDAQ Comp:	11,461.50 (2.12%)	AAll Bulls/Bears:	24.5% / 40.4%
Russell 2000:	1,892.84 (1.31%)		

The S&P 500 Index returned 1.19% last week. Though the index is down 13.26% YTD, the S&P 500 Index has rebounded and returned 13.93% so far during the fourth quarter posting positive weeks with gains over 100 basis points in six of the nine weeks. Equities declined Monday with all sectors in negative territory and real estate and energy leading the fall. Investors are weighing the strength of the US economy and consumer as they digest inflation, interest rates, jobs data, and consumer spending. The index jumped 3.12% Wednesday afternoon on Federal Reserve Chairman Powell’s comments that the Fed could moderate the pace of its interest rate increases. Growth stocks jumped on the news, with mega-cap communication services companies **Netflix Inc.** and **Meta Platforms Inc.** both posting gains over 10.0% for the week, helping the sector post the best performance in the index. U.S. initial jobless claims were reported at 225K which were lower than the consensus estimate of 235K and the previous week’s claims of 240K. Stocks opened lower on Friday as the November jobs report showed a 263K gain in nonfarm payrolls, well above the expected 200K. Crude oil rose 4.85% for the week, closing at \$79.98 per barrel on Friday, a 35% decline from its 2022 closing high on March 8. Energy was the worst performing sector in the S&P 500 Index. Uncertainty in global demand has increased as strong Covid policies in China have created a headwind. Energy stocks **Valero Energy Corp**, **EQT Corp**, and **Marathon Petroleum Corp** all fell more than 5.50% last week. **Catalent Inc.** posted a 26.24% return, the best performance in the S&P 500 Index. The stock jumped on reports that the FDA had cleared the pharmaceutical company of potential regulatory violations at two of their facilities. Earnings announcements expected this week include **Salesforce Inc.**, **Intuit Inc.**, **Dollar General Corp**, **Synopsys Inc.**, **The Kroger Company**, among others.

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