

US Economy and Credit Markets			
Yields and Weekly Changes:			
3 Mo. T-Bill:	0.823 (5.6 bps)	Bond Buyer 40 Yield:	4.29 (11 bps)
6 Mo. T-Bill:	1.396 (10.5 bps)	Crude Oil Futures:	104.69 (2.62)
1 Yr. T-Bill:	2.058 (3.9 bps)	Gold Spot:	1,896.93 (-34.67)
2 Yr. T-Note:	2.715 (4.7 bps)	Merrill Lynch High Yield Indices:	
3 Yr. T-Note:	2.886 (3.2 bps)	US High Yield:	7.05 (24 bps)
5 Yr. T-Note:	2.955 (2.4 bps)	BB:	5.87 (14 bps)
10 Yr. T-Note:	2.934 (3.5 bps)	B:	7.42 (31 bps)
30 Yr. T-Bond:	2.997 (5.3 bps)		

The US economy unexpectedly shrank at a 1.4% annual rate in the first quarter, following six consecutive quarters of growth. It was the first contraction since the second quarter of 2020. The US's widening trade deficit, which is expected to have topped \$100 billion in March for the first time, and a slowdown of inventory buildup contributed to the decline in real GDP. The increase in the trade deficit was due to a surge in imports during the quarter. Meanwhile, the Employment Cost Index, which measures wages and benefits, increased a record 1.4% in the first quarter dating back to 2001. The sharp increase added to fears of continued high inflation and increased expectations that the Fed will tighten monetary policy more aggressively at its meetings this summer. The prospect of a more aggressive Fed contributed to the continued selloff in bonds and pushed up Treasury yields during the week. In the near term, the Fed meets on Tuesday and Wednesday this week and is widely expected to raise interest rates by 0.50%, which will be its largest rate hike since 2000. Major economic reports (related consensus forecasts, prior data) for the upcoming week include Monday: April ISM Manufacturing (57.6, 57.1), April Final S&P Global US Manufacturing PMI (59.7, 59.7); Tuesday: March Final Durable Goods Orders (0.8%, 0.8%), March Factory Orders (1.1%, -0.5%); Wednesday: May 4 FOMC Rate Decision – Upper Bound (1.00%, 0.50%), April 29 MBA Mortgage Applications (N/A, -8.3%), April ADP Employment Change (400k, 455k), March Trade Balance (-\$107.0b, -\$89.2b); Thursday: April 30 Initial Jobless Claims (180k, 180k); Friday: April Change in Nonfarm Payrolls (385k, 431k), April Unemployment Rate (3.5%, 3.6%).

US Equities			
Weekly Index Performance:		Market Indicators:	
DJIA:	32,977.21 (-2.47%)	Strong Sectors:	Materials, Energy, Information Technology
S&P 500:	4,131.93 (-3.26%)	Weak Sectors:	Consumer Discretionary, Real Estate, Financials
S&P Midcap:	2,500.26 (-3.18%)	NYSE Advance/Decline:	950 / 2,597
S&P Smallcap:	1,214.72 (-3.61%)	NYSE New Highs/New Lows:	70 / 989
NASDAQ Comp:	12,334.64 (-3.92%)	AAll Bulls/Bears:	16.4% / 59.4%
Russell 2000:	1,864.10 (-3.94%)		

The S&P 500 Index posted a -3.26% return last week marking the fourth straight week of declines. While the index recovered strongly in March after hitting its 2022 closing low earlier that month, April told a story of decline as each week accelerated from bad to worse, posting a new 2022 closing low last Friday. The index returned -8.72% in April, making it the worst month since March 2020 when the pandemic began and has a -12.92% YTD return. Volatility was evidenced last week as the index posted its second-best day of 2022 on Thursday (+2.48%) and its worst day of the year on Friday (-3.62%). Inflation, Fed monetary policy, future rate hikes, and war in Ukraine are causing concern for investors as some decrease their risk to the uncertain equity markets. All sectors were in negative territory last week with the materials sector showing the best performance returning -0.82%. Top materials names included paint manufacturer **The Sherwin-Williams Company** and labeling materials producer **Avery Dennison Corp**, returning 12.27% and 7.87% respectively. Both companies reported earnings last week that beat expectations. Software company **PTC Inc.** posted the strongest performance last week with a 15.22% return on better-than-expected earnings and revenue results, while health care stock **Align Technology Inc.** missed earnings estimates and posted the worst performance last week with a -19.60% return. Crude oil closed at \$104.69 per barrel on Friday, rising 2.57% for the week, helping energy land the second-best sector of the week. Energy company **Valero Energy Corp** posted an 8.18% return. The company reported earnings results last week that beat expectations and several analysts raised their price targets on the stock. Other companies beating earnings expectations last week included mega-cap names **Apple Inc.**, **Microsoft Corp**, and **Meta Platforms Inc.**, while **Alphabet Inc.** and **Amazon.com Inc.** both missed expectations. First quarter earnings announcements expected this week include **Pfizer Inc.**, **Advanced Micro Devices Inc.**, **S&P Global Inc.**, **CVS Health Corp**, **ConocoPhillips**, **Starbucks Corp**, **Cigna Corp**, **Vertex Pharmaceutical Inc.**, **EOG Resources Inc.**, **Marriott International Corp**, **Moderna Inc.**, and many more.

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