

US Economy and Credit Markets			
Yields and Weekly Changes:			
3 Mo. T-Bill:	2.289 (40.4 bps)	Bond Buyer 40 Yield:	4.37 (unch.)
6 Mo. T-Bill:	2.847 (23.9 bps)	Crude Oil Futures:	97.59 (-7.20)
1 Yr. T-Bill:	3.022 (15.2 bps)	Gold Spot:	1,708.17 (-34.31)
2 Yr. T-Note:	3.120 (1.5 bps)	Merrill Lynch High Yield Indices:	
3 Yr. T-Note:	3.127 (-1.2 bps)	US High Yield:	8.57 (-7 bps)
5 Yr. T-Note:	3.034 (-8.9 bps)	BB:	6.80 (-8 bps)
10 Yr. T-Note:	2.915 (-16.5 bps)	B:	9.30 (-4 bps)
30 Yr. T-Bond:	3.075 (-16.8 bps)		

The Treasury yield curve flattened significantly over the course of the week as short-term yields rose and long-term yields dropped while inflation continued to run hotter than expected. The flattening of the yield curve started early in the week as China re-imposed Covid restrictions leading to concerns of additional slowdown to the world economy. Data released on Wednesday showed the consumer price index increased at a 9.1% year-over-year rate for June, which is the highest annual increase in 41 years and above analyst expectations of 8.8%. This only accelerated the flattening of the yield curve, which was already inverted by the highest rate since February 2007. The spread between the 10-year yield and the 2-year yield finished the week at negative 21-basis-points. The producer price index also increased 11.3%, above expectations of 10.7%. This also led investors to speculate that the Federal Reserve may increase interest rates at an even faster pace in order to slow down inflation. After Wednesday's inflation reading, the market expected at least a 75-basis-point rate increase in the Federal Funds Rate and the market implied probability of a 100-basis-point rate increase soared to 63% at the end of trading on Wednesday. However, that probability ended the week at only 19% after more dovish comments by Fed Governor Christopher Waller. Major economic reports (related consensus forecasts, prior data) for the upcoming week include Tuesday: June Housing Starts (1590k, 1549k); Wednesday: July 15 MBA Mortgage Applications (n/a, -1.7%), June Existing Home Sales (5.40m, 5.41m); Thursday: July 16 Initial Jobless Claims (240k, 244k), June Leading Index (-0.5%, -0.4%); Friday: July Prelim. S&P Global Manufacturing PMI (51.8, 52.7).

US Equities			
Weekly Index Performance:		Market Indicators:	
DJIA:	31,288.26 (-0.16%)	Strong Sectors:	Consumer Staples, Utilities, Information Technology
S&P 500:	3,863.16 (-0.91%)	Weak Sectors:	Communication Services, Energy, Materials
S&P Midcap:	2,303.68 (-0.69%)	NYSE Advance/Decline:	1,449 / 2,042
S&P Smallcap:	1,137.14 (-0.56%)	NYSE New Highs/New Lows:	27 / 539
NASDAQ Comp:	11,452.42 (-1.57%)	AAll Bulls/Bears:	26.9% / 46.5%
Russell 2000:	1,744.37 (-1.40%)		

The S&P 500 Index returned -0.91% last week. Equities declined the first four days of the week as the index lost 2.78%. Equities have been under pressure as investors focus on inflation, the Federal Reserve's response to inflation, the global economy due to Covid in China, and the chance of a future U.S. recession. Fears of slowing global demand put pressure on crude oil as it declined to its lowest levels since April 11, posting a -6.87% return for the week and closing at \$97.59 per barrel on Friday. Some of the worst performing energy names included **APA Corp**, **EOG Resources Inc.**, **Halliburton Company**, **Baker Hughes Company**, and **Diamondback Energy Inc.**, all declining more than 6.00%. Negative news that affected equities included the 9.1% year-over-year June CPI number that was higher than expected and PPI also showed higher than expected levels for June, reflecting the continued growth in inflation since early 2021. The S&P 500 Index hit its low for the week in early trading on Thursday at 3,721, its lowest level since June 22. Financials were the earnings focus last week as **JPMorgan Chase & Company**, **Wells Fargo & Company**, **Morgan Stanley**, **BlackRock Inc.**, and **US Bancorp** all missed expected earnings. However, on Friday, **Citigroup Inc.** announced they beat earnings expectations as demand for their services increased due to rising interest rates. The stock jumped 13.23% on the day, helping pull the entire financials sector to the top and the S&P 500 Index to post a 1.92% return, though not enough to overcome the prior four days. Communication services and energy were the worst performing sectors last week with most sectors in negative territory and only consumer staples posting an 11-basis point gain. **Southwest Airlines Company** was the best performing stock in the index last week, with a 7.85% return. The stock jumped on Tuesday after a Susquehanna analyst raised their rating on the company. Earnings season has started with second quarter announcements expected this week from **Tesla Inc.**, **Johnson & Johnson**, **Bank of America Corp**, **Verizon Communications Inc.**, **Abbot Laboratories**, **Danaher Corp**, **AT&T Inc.**, **International Business Machine**, **American Express Company**, **The Goldman Sachs Group Inc.**, and many more.

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