

US Economy and Credit Markets			
Yields and Weekly Changes:			
3 Mo. T-Bill:	2.378 (9.0 bps)	Bond Buyer 40 Yield:	4.34 (-3.0 bps)
6 Mo. T-Bill:	2.902 (5.5 bps)	Crude Oil Futures:	94.70 (-2.89)
1 Yr. T-Bill:	2.957 (-6.5 bps)	Gold Spot:	1727.64 (19.47)
2 Yr. T-Note:	2.970 (-15.0 bps)	Merrill Lynch High Yield Indices:	
3 Yr. T-Note:	2.914 (-21.3 bps)	U.S. High Yield:	8.04 (-53 bps)
5 Yr. T-Note:	2.843 (-18.4 bps)	BB:	6.36 (-44 bps)
10 Yr. T-Note:	2.750 (-16.5 bps)	B:	8.66 (-64 bps)
30 Yr. T-Bond:	2.972 (-10.3 bps)		

Last Friday witnessed a powerful rally in Treasuries after weak PMI data indicated contracting US business activity for the first time since the pandemic. Weaker economic conditions elevated investor fears that a recession will be forthcoming, which will ease pressure on the Federal Reserve to keep raising rates in its effort to slay inflation. Lower long-dated Treasury yields, and a flatter yield curve have resulted. Oil has also come off its recent highs because of elevated recession fears. While the current job market is very tight, contrary to typical recessionary conditions, there was a cooling observed in last week's US jobless claims reading - and jobs data will be closely watched for any signs of weakness. Housing data from June which was digested by the markets on July 19 and 20 saw marked declines in both housing starts and existing home sales. Corroborating this, D.R. Horton reported earnings during the week and reported a 3Q cancellation rate in excess of 24% and a decline in net sales orders of 7%. Major economic reports (related consensus forecasts, prior data) for the upcoming week include Tuesday: July Conference Board Consumer Confidence (96.8, 98.7) and July New Home Sales (664k, 696k); Wednesday: July 22 MBA Mortgage Applications (n/a, -6.3%) and June preliminary Durable Goods Orders (-0.3%, 0.8%); Thursday: July 23 Initial Jobless Claims (255k, 251k) and 2Q Annualized GDP QoQ (0.5%, -1.6%); Friday: June Personal Income (0.5%, unch.) June Personal Spending (0.9%, 0.2%), July MNI Chicago PMI (55.0, 56.0) and July final University of Michigan Sentiment (51.1, 51.1)

US Equities			
Weekly Index Performance:		Market Indicators:	
DJIA:	31,899.29 (2.00%)	Strong Sectors:	Cons. Discretionary, Materials
S&P 500:	3,961.63 (2.56%)		Industrials
S&P Midcap:	2,396.73 (4.04%)	Weak Sectors:	Health Care, Utilities
S&P Smallcap:	1,185.22 (4.24%)		Comm. Services
NASDAQ Comp:	11,834.11 (3.33%)	NYSE Advance/Decline:	2,653/570
Russell 2000:	1,806.88 (3.59%)	NYSE New Highs/New Lows:	9/90
		AAll Bulls/Bears:	29.6%/42.2%

The S&P 500 Index gained over 2.5% last week as the market began digesting second quarter earnings season. The market was on a strong three-day win streak before retracing on Friday after it was made public that President Joe Biden tested positive for Covid-19 and several companies reported disappointing quarterly results. Cyclical sectors won the week as Consumer Discretionary, Industrials, and Materials were the top performing sectors. Of the 104 companies that have reported second quarter results, Consumer Staples and Health Care have had the largest average margin of beating EPS expectations. In aggregate, the average earnings beat among the companies that have reported is 4.2% which is higher than the 3.5% average beat from the first quarter, although there is still much of the index left to report which could move the figure up or down. The University of Michigan sentiment indicator released on two Fridays ago experienced a slight uptick from its historic low level in June as some investors believe the market has reached peak pessimism. Stocks with European exposure were buoyed on Friday as Russia reopened the Nord Stream pipeline of natural gas to Europe. Western Europe's dependence on Russian natural gas has been exposed by the recent interruption and will incentivize them to diversify energy sources in the future. Mergers and acquisitions are hot topics once again as Twitter, Inc. was able to fast track their trial to enforce Elon Musk's acquisition of the company and Amazon, Inc. announced an expansion into health care with the acquisition of One Medical. Bath & Body Works Inc. (BBWI, +21.7%) was the best performing stock in the index as several analysts reaffirmed the deep value of the beaten down stock despite management cutting 2022 EPS guidance during their quarterly call. AT&T (T, -10.5%) and Verizon (VZ, -12.9%) were two of the three worst performing stocks in the index as both companies issued disappointing guidance and were punished. Verizon's one week decline was the worst since October 2008. In the busy upcoming week nearly half of the remaining S&P 500 companies will release their second quarter results, investors will hear news from the Federal Reserve meeting with likely a 75bps interest rate hike, and GDP data will be released that could mint a new technical recession if estimates from the Atlanta Fed are accurate and the reported figure is negative.

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