

US Economy and Credit Markets			
Yields and Weekly Changes:			
3 Mo. T-Bill:	1.639 (0.8 bps)	Bond Buyer 40 Yield:	4.45 (-12 bps)
6 Mo. T-Bill:	2.444 (0.5 bps)	Crude Oil Futures:	108.43 (0.81)
1 Yr. T-Bill:	2.660 (-8.8 bps)	Gold Spot:	1,811.43 (-15.45)
2 Yr. T-Note:	2.833 (-23.0 bps)	Merrill Lynch High Yield Indices:	
3 Yr. T-Note:	2.852 (-29.5 bps)	U.S. High Yield:	8.93 (48 bps)
5 Yr. T-Note:	2.877 (-30.8 bps)	BB:	7.22 (36 bps)
10 Yr. T-Note:	2.880 (-25.0 bps)	B:	9.61 (64 bps)
30 Yr. T-Bond:	3.103 (-15.4 bps)		

Treasury yields tumbled last week ahead of Independence Day on recession fears as several economic reports indicated a slowdown in the US economy. The 10-year US Treasury yield fell to 2.88% from its recent peak of 3.47% on June 14, highlighting the volatility in Treasury markets. The ISM Manufacturing Index fell below expectations to 53.0 in June, a level still indicating expansion in manufacturing but a slowdown to the lowest level since June 2020. However, the ISM New Orders Index showed a contraction in new orders in June due to higher prices, longer lead times, and high inventory levels. Meanwhile, consumer spending grew 0.2% in May, the lowest level of the year and a slowdown from April's 0.6% month-over-month increase. Adjusted for inflation, however, consumer spending fell 0.4% in May, meaning consumers spent more to get less. Finally, the Conference Board Expectations Index, which measures consumers' short-term outlook for income, business, and labor market conditions, fell sharply in June to its lowest level since March 2013. Taken together, the deterioration in the growth outlook and increase in recession fears contributed to the significant drop in yields during the week. Major economic reports (related consensus forecasts, prior data) for the upcoming week include Tuesday: May Final Durable Goods Orders (0.7%, 0.7%), May Factory Orders (0.5%, 0.3%); Wednesday: July 1 MBA Mortgage Applications (N/A, 0.7%); Thursday: July 2 Initial Jobless Claims (230k, 231k), May Trade Balance (-\$85.0b, -\$87.1b); Friday: June Change in Nonfarm Payrolls (275k, 390k), June Unemployment Rate (3.6%, 3.6%).

US Equities			
Weekly Index Performance:		Market Indicators:	
DJIA:	31,097.26 (-1.27%)	Strong Sectors:	Utilities, Energy
S&P 500:	3,825.33 (-2.18%)		Health Care
S&P Midcap:	2,295.89 (-1.6%)	Weak Sectors:	Info Tech, Comm. Services
S&P Smallcap:	1,138.51 (-1.13%)		Cons. Discretionary
NASDAQ Comp:	11,127.84 (-4.12%)	NYSE Advance/Decline:	2,668/563
Russell 2000:	1,727.76 (-2.09%)	NYSE New Highs/New Lows:	10/68
		AAll Bulls/Bears:	22.8%/46.7%

The S&P 500 Index retraced over 2% for the week as it capped off the worst quarter since 1Q20. The second quarter marked the first time the S&P 500 has experienced two consecutive negative quarterly returns since 2009. No S&P GICS sector finished the quarter positively as Consumer Staples and Utilities fared the best and Consumer Discretionary and Communication Services performed the worst. On Thursday, the Atlanta Fed NOW GDP estimate announcement for the second quarter was -1.0%, a downward revision from the previous +0.3%. If the final metric released at the end of July is negative then the US economy will have met the technical definition of a recession. Many energy companies rebounded this week while cruise lines were punished due to the rising price of oil. Oil trended upwards during the second quarter, rising above \$120/barrel at one point before retracing near \$106 at the end. Cruise line Carnival Corp LLC (**CCL**, -18.7%) plunged 14% on Wednesday after Morgan Stanley analysts laid out a scenario where the company has a liquidity crisis due to booking cancellations and set a bear case price target of zero dollars. General Mills (**GIS**, 7.3%) was the top performer in the S&P 500 as the maker of cereal, flour, and soup showed how powerfully a Consumer Staples company can pass on cost to the end consumer. Although it sold less product in the second quarter it doubled its profit from a year ago on the back of price raises. Stocks of Consumer Staples companies fared the best during the second quarter, including several recognizable brands from the grocery store including Lamb Weston Holdings, Monster Beverage Corp, General Mills, and Kellogg Co. On Thursday, Micron Technology Inc. (**MU**, -8.2%) reported earnings falling short of analyst estimates as the semiconductor shortage showed little improvement from three months ago. Although investors got a glimpse of 3Q22 earnings from Micron Technology Inc. and Nike Inc. in the past week, the S&P 500 will go silent for the next two weeks while the market anticipates a high stakes earnings season where many companies will have to either reaffirm or cut their aggressive 2H22 guides.

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