

US Economy and Credit Markets			
Yields and Weekly Changes:			
3 Mo. T-Bill:	2.866 (4.9 bps)	Bond Buyer 40 Yield:	4.62 (14 bps)
6 Mo. T-Bill:	3.302 (9.7 bps)	Crude Oil Futures:	86.87 (-6.19)
1 Yr. T-Bill:	3.413 (12.4 bps)	Gold Spot:	1,712.19 (-25.95)
2 Yr. T-Note:	3.387 (-1.0 bps)	Merrill Lynch High Yield Indices:	
3 Yr. T-Note:	3.426 (3.3 bps)	U.S. High Yield:	8.55 (49 bps)
5 Yr. T-Note:	3.293 (8.8 bps)	BB:	6.95 (38 bps)
10 Yr. T-Note:	3.189 (14.8 bps)	B:	8.82 (26 bps)
30 Yr. T-Bond:	3.340 (14.8 bps)		

The yield curve rose last week particularly at longer-dated maturities as the market responded to hawkish sentiment from the Federal Reserve. On Monday, two-year Treasuries notched their highest levels since 2007 following Federal Reserve chairman Jerome Powell's higher-for-longer messaging in Jackson Hole on August 26th. U.S. economic data released during the week was generally strong. Tuesday saw Consumer Confidence surprise to the upside on the back of lower energy prices. ISM Manufacturing and PMI surveys were also higher than expected. Employment data was mixed for the week. On Friday, August unemployment rate unexpectedly ticked up to 3.7% as more people returned to the labor force. Yet, the job market remains strong with the economy adding 315,000 jobs in August. The data release sent the probability of a 75-basis point hike in the upcoming FOMC meeting down from 70% to 55%. Oil fell over 6% last week as U.S. recession fears regained momentum and around more constructive sentiment around global supply. Russia continues to cut natural gas supply to Europe sending European leaders scrambling to deal with the deepening energy crisis. Major economic reports (related consensus forecasts, prior data) for the upcoming week include: Tuesday: August Final S&P Global US Composite PMI (45.0, 44.1), August ISM Services Index (55.4, 56.7); Wednesday: September 2 MBA Mortgage Applications (n/a, -3.7%), and July Trade Balance (-\$70.3b, -\$79.6b); September 3 Initial Jobless Claims (240k, 232k).

US Equities			
Weekly Index Performance:		Market Indicators:	
DJIA:	31,318.44 (-2.85%)	Strong Sectors:	Utilities, Health Care
S&P 500:	3,924.26 (-3.23%)		Cons. Staples
S&P Midcap:	2,393.10 (-4.24%)	Weak Sectors:	Real Estate, Materials
S&P Smallcap:	1,161.88 (-5.16%)		Info Tech
NASDAQ Comp:	11,630.86 (-4.18%)	NYSE Advance/Decline:	429/2,750
Russell 2000:	1,809.75 (-4.7%)	NYSE New Highs/New Lows:	28/97
		AAll Bulls/Bears:	21.9%/50.4%

The S&P 500 Index shed 3.3% last week as the market digested comments from the Fed Chairman on the previous Friday and stocks continued to report 2Q22 results. Chairman Powell's remarks from Jackson Hole reminded investors that there will likely be more pain ahead in the form of significant rate hikes and the Fed prefers to stay tough on inflation rather than declare an early victory. The market implied probability of a 75bps rate hike at the September meeting increased from 26% to 75% during the month of August. Solid non-farm payrolls data released on Friday helped buoy the market and also affirmed the strength of the economy against which the Fed can afford to tighten. August was a tough month for the market as the relief rally that started in June came to an end mid month as the S&P 500 gave back its 4% month to date gains and swung to -4% loss by month end. The S&P 500 has been unable to find a trend over the past year as each month has alternated positive and negative returns except for January and February which were both negative. Now is a difficult time for cash-starved companies to go to the public markets due to weak market multiples. IPO activity in the first half of the year was the slowest since 2016. Several EV makers such as Lucid Motors (**LCID**, -6.7%) and Nikola Corp (**NKLA**, -12.2%) that publicly listed during the 2021 SPAC frenzy announced additional stock offerings this week in order to offset their heavy cash burn rates. During the last week, Utilities stocks held up the best as all 11 GICS sectors were down, led by Information Technology. Nvidia (**NVDA**, -16.1%) was the worst performing member of the S&P 500 as the semiconductor producer released a statement saying the company was informed by the US government that in order to export its AI processors to China it would need to secure a special license. Although news on Friday indicated that Nvidia would not be as hindered as originally thought, several analyst downgrades put further downward pressure on the stock. The best performing stock in the S&P 500 this week was DXC Technology (**DXC**, +12.9%) which spiked on rumors of a potential takeover attempt by French IT consulting firm Atos SE. Next week will likely be a quiet week with the markets closed on Monday and only a couple members of the S&P 500 reporting quarterly earnings.

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