

US Economy and Credit Markets			
Yields and Weekly Changes:			
3 Mo. T-Bill:	4.573 (-2.1 bps)	Bond Buyer 40 Yield:	4.34 (-15 bps)
6 Mo. T-Bill:	4.772 (-3.7 bps)	Crude Oil Futures:	79.86 (6.09)
1 Yr. T-Bill:	4.662 (unch.)	Gold Spot:	1,920.23 (+54.54)
2 Yr. T-Note:	4.232 (2.4 bps)	Merrill Lynch High Yield Indices:	
3 Yr. T-Note:	3.900 (-5.3 bps)	U.S. High Yield:	8.15 (-36 bps)
5 Yr. T-Note:	3.611 (-6.3 bps)	BB:	6.60 (-27 bps)
10 Yr. T-Note:	3.504 (-2.9 bps)	B:	8.37 (-37 bps)
30 Yr. T-Bond:	3.610 (-5.0 bps)		

All eyes were on last Thursday's Consumer Price Index (CPI) report which registered a 0.1% decline in December. While seemingly small, markets reacted positively to the decline as it abates the upward pressure that has been on components of the CPI. This was the first monthly decline in two and a half years! In a win for market analysts, the report matched expectations exactly. Also reported on Thursday were unemployment claims falling 1,000 and continuing claims declining 63,000. The jobs market remains strong, and inflation elevated, which should leave the Federal Reserve plenty motivated to keep monetary conditions on a tightening path. Soon after the reports, the Bloomberg World Interest Rates Probabilities (WIRP) data showed traders pricing in a 25 bps hike at the next committee meeting. Correspondent to the data, Federal Reserve Bank of Philadelphia President Patrick Harker said that "(He) expect(s) that we will raise rates a few more times this year, though, to my mind, the days of us raising them 75 basis points at a time have surely passed...and in my view, hikes of 25 basis points will be appropriate going forward." On all this, Treasury yields eased for the week. Major economic reports (related consensus forecasts, prior data) for the upcoming week include Tuesday: January Empire Manufacturing (-8.7, -11.2); Wednesday: January 13 MBA Mortgage Applications (N/A, 1.2%), December Retail Sales Advance MoM (-0.8%, -0.6%), December PPI Final Demand (-0.1%, 0.3%) and December Industrial Production MoM (-0.1%, -0.2%); Thursday: January 14 Initial Jobless Claims (215k, 205k) and December Housing Starts (1,358k, 1,427k); Friday: December Existing Home Sales (3.95m, 4.09m).

US Equities			
Weekly Index Performance:		Market Indicators:	
DJIA:	34,302.61 (2.01%)	Strong Sectors:	Consumer Discretionary, Info Tech, Real Estate
S&P 500:	3,999.09 (2.71%)	Weak Sectors:	Consumer Staples, Health Care, Utilities
S&P Midcap:	2,580.91 (3.67%)	NYSE Advance/Decline:	2,822 / 499
S&P Smallcap:	1,238.88 (4.50%)	NYSE New Highs/New Lows:	256 / 28
NASDAQ Comp:	11,079.16 (4.83%)	AAll Bulls/Bears:	24.0% / 39.9%
Russell 2000:	1,887.03 (5.27%)		

The S&P 500 moved 2.7% higher last week to close within a point of the 4,000 level. The index has closed higher on six of the nine trading days of 2023, returning over 4% to start the year. Consumer Discretionary and Technology stocks led all sectors, with Real Estate, Materials, and Communication Services also returning over 4% last week. Technology Stocks in the NASDAQ-100 climbed higher for the sixth straight trading session. One cause of the strong start to the year is investors' view on lower inflation and how the Federal Reserve will act during the coming meetings. The December Consumer Price Index came in a 6.5%, which was in line with expectations. The cooling of prices as a result of higher rates sets the stage for the Fed to begin to talk about pausing rate hikes in the near future. On the other side of the rate policy is how it affects corporate earnings. **JPMorgan** reported on Friday and the company's CEO Jamie Dimon weighed in on the current business environment. He cautioned, "we still do not know the ultimate effect of the headwinds coming" in with regard to persistent inflation and higher borrowing costs due to Fed policy. The University of Michigan Consumer Sentiment Index, a measure of consumer attitudes and expectations, surprised to the upside on Friday and lifted Consumer Discretionary stocks such as **Amazon Inc** and **Etsy** higher into the end of the week. Looking ahead, releases on retail sales, industrial production, and housing are all set for dissemination next week.

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