

US Economy and Credit Markets			
Yields and Weekly Changes:			
3 Mo. T-Bill:	4.579 (23.6 bps)	Bond Buyer 40 Yield:	4.49 (-18 bps)
6 Mo. T-Bill:	4.786 (3.2 bps)	Crude Oil Futures:	73.77 (-6.49)
1 Yr. T-Bill:	4.671 (-1.6 bps)	Gold Spot:	1,865.69 (+41.67)
2 Yr. T-Note:	4.247 (-17.8 bps)	Merrill Lynch High Yield Indices:	
3 Yr. T-Note:	3.979 (-24.5 bps)	US High Yield:	8.51 (-48 bps)
5 Yr. T-Note:	3.698 (-30.6 bps)	BB:	6.87 (-42 bps)
10 Yr. T-Note:	3.558 (-31.7 bps)	B:	8.74 (-65 bps)
30 Yr. T-Bond:	3.687 (-27.6 bps)		

Investors welcomed in the New Year with recession fears, hawkish Fed rhetoric, and mixed jobs report causing longer-dated end of the U.S. Treasury yield curve to fall during the holiday-shortened week. Tuesday, investors digested the Federal Reserve's December meeting minutes, which revealed none of the top Fed officials forecast interest rate cuts would be appropriate in 2023. The Fed's blunt hawkish tone on Tuesday was a stark contrast to the fed funds traders pricing in rate cuts later in the year. Signs of the economy slowing were evident in the December ISM data. Both the ISM Manufacturing and Non-Manufacturing Indices came in below 50.0, signaling contraction during the month. The week ended with a mixed jobs report. On the surface the jobs reports looked good with an increase of 223,000 nonfarm payrolls and unemployment declining in December, both better-than-expected results. The details flash warnings signs with temporary jobs and total hours worked declining last month and average hourly earnings slowing. Major economic reports (related consensus forecasts, prior data) for the upcoming week include Tuesday: December NFIB Small Business Optimism (91.5, 1.9) and November Final Wholesale Inventories MoM (1.0%, 1.0%); Wednesday: January 6 MBA Mortgage Applications (N/A, -10.3%); Thursday: December CPI MoM (0.0%, 0.1%), December CPI YoY (6.5%, 7.1%), December Monthly Budget Statement (-\$70b, -\$248b), January 7 Initial Jobless Claims (215k, 204k), and December 31 Continuing Claims (1718k, 1694k); Friday: December Import Price Index MoM (-0.9%, -0.6%), January Preliminary University of Michigan Sentiment Index (60.5, 59.7).

US Equities			
Weekly Index Performance:		Market Indicators:	
DJIA:	33,630.61 (1.50%)	Strong Sectors:	Comm. Services, Materials, Financials
S&P 500:	3,895.08 (1.47%)	Weak Sectors:	Info Tech., Energy, Health Care
S&P Midcap:	2,489.95 (2.48%)	NYSE Advance/Decline:	2,607 / 717
S&P Smallcap:	1,185.83 (2.47%)	NYSE New Highs/New Lows:	201 / 79
NASDAQ Comp:	10,569.29 (1.01%)	AAll Bulls/Bears:	20.5% / 42.0%
Russell 2000:	1,792.80 (1.81%)		

Equities rallied during the first trading week of 2023. Buyers flooded the market as a risk on posture overtook equity markets as technology heavy Nasdaq 100 index returned 0.95% and the S&P 500 index returned 1.47%. The 10-year yield fell over 30bps after the ISM Prices Paid index and weaker wage growth fueled bets that inflation is abating faster than previously believed. In corporate news, **Blackstone Inc.** shares rallied after they announced a 4-billion-dollar investment from the University of California into their BREIT fund, which had been fielding withdrawal requests above their monthly maximum for some time. The inflow can potentially help to ease some doubts of the stability of the fund which helped to boost shares. **Carnival Corp.** rallied 14.14% last week after announcing they will be raising prices starting in April, supporting the idea that demand is recovering in the cruise line space as COVID headwinds abate. **Salesforce.com Inc.** announced a restructuring plan which highlights a 10% reduction in their workforce and a strategic plan to improve operating margins, the business software developer saw its shares rally 5.97% last week. Idaho located french fry maker **Lamb Weston** started off earnings season with a bang last week after announcing quarterly sales and earnings beat their previous estimates and they raised their fiscal year EPS estimates to \$4 per share from \$2.85 previously. They credited their ability to pass on price hikes to customers as well as their joint venture into Europe for their outstanding results. Looking ahead to next week all eyes will be on the CPI data expected to be released Thursday morning, other economic releases include import prices, consumer confidence and wholesale inventories. On Friday next week, most mega cap banks are expected to release quarterly results. We expect quarterly reports from **CitiGroup Inc.**, **Wells Fargo & Co.**, **JPMorgan Chase & Co.**, **Bank of America Corp.** among others.

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