First Trust

Weekly Market Commentary

Week Ended December 22, 2023

US Economy and Credit Markets			
Yields and Weekly Changes:			
3 Mo. T-Bill:	5.353 (-2.4 bps)	Bond Buyer 40 Yield:	4.49 (-3 bps)
6 Mo. T-Bill:	5.254 (-6.5 bps)	Crude Oil Futures:	73.56 (+2.13)
1 Yr. T-Bill:	4.810 (-12.4 bps)	Gold Spot:	2,053.08 (+33.46)
2 Yr. T-Note:	4.323 (-12.0 bps)	Merrill Lynch High Yield Indices:	
3 Yr. T-Note:	4.036 (-8.4 bps)	US High Yield:	7.84 (-14 bps)
5 Yr. T-Note:	3.872 (-3.7 bps)	BB:	6.46 (-9 bps)
10 Yr. T-Note:	3.895 (-1.6 bps)	B:	7.99 (-14 bps)
30 Yr. T-Bond:	4.049 (4.1 bps)		

Treasury yields declined last week with the exception of the 30-year, as the market continues to price in more aggressive rate cuts in 2024. The 10-year and 30-year Treasury yields began the week not far from their lowest levels since July following the Federal Reserve's apparent policy pivot. On Tuesday, November housing starts increased 14.8%, easily beating even the most optimistic forecast from any economic groups. Housing starts now sit at a six-month high, a sign that developers may have finally found their footing. Existing home sales, released on Wednesday, increased 0.8% in November and narrowly beat consensus estimates. The small gain in November stopped a streak of five consecutive months of declines, though home sales still remain near the slowest pace since the aftermath of the 2008/9 Financial Crisis. Thursday's final reading for real GDP growth in the third quarter came in below consensus expectations but still at a robust 4.9% annual rate. Despite the downward revision, it was still the largest increase in a decade, excluding the pandemic years of 2020-2021. On Friday, new orders for durable goods rose 5.4% in November easily beating the consensus expected 2.3%. New single-family home sales declined 12.2% in November, falling more than even the most pessimistic forecast from any economic groups. November's decline leaves the monthly sales pace at the slowest in a year, reversing the upward trend throughout the rest of 2023. Major economic reports (related consensus forecasts, prior data) for the upcoming holiday shortened week include Thursday: December 23 Initial Jobless Claims (210k, 205k); Friday: December Market News International Chicago PMI (50.5, 55.8).

US Equities			
Weekly Index Performance:		Market Indicators:	
DJIA:	37,385.97 (0.22%)	Strong Sectors:	Comm. Services, Energy
S&P 500:	4,754.63 (0.77%)		Materials
S&P Midcap:	2,787.53 (1.54%)	Weak Sectors:	Financials, Info Tech
S&P Smallcap:	1,319.69 (2.25%)		Utilities
NASDAQ Comp:	14,992.97 (1.22%)	NYSE Advance/Decline:	2,007 / 930
Russell 2000:	2,033.96 (2.47%)	NYSE New Highs/New Lows:	403 / 49
		AAII Bulls/Bears:	52.9% / 20.9%

The S&P 500 returned 77 basis points last week marking its 8th consecutive weekly gain, the longest winning streak in more than 5 years. The index experienced broad based positive performance with all sectors finishing the week in the green outside of the Utilities sector which dropped 127 bps. The best performer in the index was **ANSYS, Inc.** which returned 21.16% after it was reported the software provider was weighing its options, including a sale, after getting takeover interest from an unknown buyer. The worst performer in the index was **FedEx Corporation** which sank 11.82% following its 3rd quarter earnings release last Tuesday, the delivery firm's quarterly results fell well short of analysts' forecasts across the board and management trimmed full year guidance for 2024. **FedEx** wasn't alone last week falling short of expectations. **Nike, Inc**. fell 11.11% after releasing Q3 earnings, while the sportswear company exceeded earnings forecasts management issued weak sales guidance for the second half of its fiscal year. In addition, the firm signaled cost cutting measures would be taken to deliver up to $2 billion in cumulative savings over the next three years, these measures include simplifying product lines and trimming its headcount to streamline operations. After a strong year so far, the S&P 500 only sits 88 bps below its all-time high of 4,796.56 hit on 1/3/2022. Investors will be hoping for a continuation of the "Santa Claus Rally" this week with the hopes of hitting a new all-time high. Since 1928 the market has averaged a 1.7% return between the last 5 days of December and first 2 days of the new year. Wall Street's sentiment toward equities has slowly become more bullish after the last FOMC meeting with many viewing the Fed's language as signaling a dovish pivot. Last Friday's softer than expected PCE reading helped cement expectations of deeper interest rate cuts in 2024, the swaps market is currently pricing more than 150 bps of cuts which is double the Fed's forecast. Understandably, the AAII Investor Sentiment Survey came in with 52.9% of respondents feeling bullish about the stock market in the next 6 months, this is the highest reading in the last year. While many Wall Street strategists have been quick to declare victory on inflation and forecast a soft or no landing scenario for 2024 others believe the risk of a mild recession still remains. Overall, underlying economic conditions appear supportive of continued growth but investors should remain cautious as geopolitical risk and deterioration of household savings may continue.