

US Economy and Credit Markets			
Yields and Weekly Changes:			
3 Mo. T-Bill:	5.202 (17.1 bps)	Bond Buyer 40 Yield:	4.37 (-5 bps)
6 Mo. T-Bill:	5.044 (4.2 bps)	Crude Oil Futures:	71.34 (-5.44)
1 Yr. T-Bill:	4.724 (-1.7 bps)	Gold Spot:	2,016.79 (26.79)
2 Yr. T-Note:	3.914 (-9.2 bps)	Merrill Lynch High Yield Indices:	
3 Yr. T-Note:	3.642 (-7.4 bps)	U.S. High Yield:	8.62 (18 bps)
5 Yr. T-Note:	3.410 (-7.2 bps)	BB:	6.99 (21 bps)
10 Yr. T-Note:	3.437 (1.5 bps)	B:	8.94 (17 bps)
30 Yr. T-Bond:	3.754 (8.0 bps)		

As expected, the Fed hiked interest rates by a quarter point last week and signaled it may pause raising rates for now. The market does not expect the Fed to raise interest rates again this year. Instead, the market expects the Fed to cut rates by the end of this year despite inflation remaining elevated. In his press conference on Wednesday, Fed Chair Jerome Powell said that “inflation pressures continue to run high and the process of getting inflation back down to 2 percent has a long way to go.” Employers reported 9.6 million job openings in March, according to Labor Department data released Tuesday. Openings are down significantly from the record 12 million reported last March. However, despite the drop in openings, there is still a large imbalance between job openings and available workers. April hiring easily topped estimates, according to ADP data released on Wednesday, while the jobs report released on Friday showed the US economy added 253,000 jobs in April, which was also more than expected. The unemployment rate also beat expectations, falling to 3.4%. Meanwhile, shorter-term Treasury yields have increased significantly recently on fears that Congress will not raise or suspend the debt ceiling in the coming weeks. Treasury Secretary Janet Yellen said last week that the US government risks defaulting as soon as June 1 without action. Major economic reports (related consensus forecasts, prior data) for the upcoming week include Wednesday: April CPI MoM (0.4%, 0.1%), April CPI YoY (5.0%, 5.0%), May 5 MBA Mortgage Applications (N/A, -1.2%); Thursday: May 6 Initial Jobless Claims (245k, 242k), April PPI Final Demand MoM (0.3%, -0.5%); Friday: May Preliminary U. of Mich. Sentiment (63.0, 63.5).

US Equities			
Weekly Index Performance:		Market Indicators:	
The Dow®	33,674.38 (-1.23%)	Strong Sectors:	Information Technology, Utilities, Health Care
S&P 500®	4,136.25 (-0.78%)	Weak Sectors:	Energy, Financials, Communication Services
S&P MidCap 400®	2,461.10 (-1.16%)		
S&P SmallCap 600®	1,138.97 (-0.78%)		
Nasdaq Composite®	12,235.41 (0.09%)	NYSE Advance/Decline:	1,110 / 2,042
Russell 2000®	1,759.88 (-0.49%)	NYSE New Highs/New Lows:	187 / 358
		AAll Bulls/Bears:	24.1% / 44.9%

Stocks finished down about -0.80%, measured by the S&P 500, last week after snapping a four trading day losing streak and gaining 1.85% on Friday. The index is up over 8% since the beginning of the year. Risk assets rallied on Friday as regional banks bounced back after concerns of deteriorating balance sheets could cause depositors to pull their money. As investors look for higher-yielding alternatives for their deposits, unrealized losses on long-duration bond investments caused the banking sector selloff last week. **Western Alliance Bancorp** and **PacWest Bancorp** were two of the biggest gainers at the end of the week after reports of possible government guarantees and temporary limits on shorting the stocks boosted investors' confidence. On Wednesday, the Federal Reserve raised the benchmark interest rate by 25 basis points. Chairman Powell said banking conditions have “broadly improved” since March. In the statement released after the rate hike, the Fed omitted prior language that signaled more hikes ahead. After a series of ten rate raises, the Fed will look to the next rate move as needed and plans to keep future options open. With the Fed still focused on inflation, CPI will be in focus next week as the measure is set to be released on Wednesday. **Apple Inc** released earnings last week. The stock traded higher after CEO Tim Cook said the sales increase came “despite the challenging macroeconomic environment.” He also commented on the company’s future use of artificial intelligence, saying the company would use the emerging technology in a “very thoughtful” way. Looking ahead to next week, key economic releases will give investors a gauge of inflation and consumer sentiment as CPI, PPI, and the University of Michigan survey results are all released.

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