

| US Economy and Credit Markets | | | |
|-------------------------------|------------------|-----------------------------------|------------------|
| Yields and Weekly Changes: | | | |
| 3 Mo. T-Bill: | 5.284 (-2.3 bps) | Bond Buyer 40 Yield: | 4.44 (-1 bps) |
| 6 Mo. T-Bill: | 5.406 (-0.6 bps) | Crude Oil Futures: | 70.64 (1.48) |
| 1 Yr. T-Bill: | 5.392 (13.9 bps) | Gold Spot: | 1,919.35 (-1.85) |
| 2 Yr. T-Note: | 4.895 (15.1 bps) | Merrill Lynch High Yield Indices: | |
| 3 Yr. T-Note: | 4.527 (21.6 bps) | U.S. High Yield: | 8.63 (-17 bps) |
| 5 Yr. T-Note: | 4.156 (18.8 bps) | BB: | 7.16 (-10 bps) |
| 10 Yr. T-Note: | 3.837 (11.5 bps) | B: | 8.87 (-21 bps) |
| 30 Yr. T-Bond: | 3.860 (4.6 bps) | | |

Treasury yields were up across the board, particularly in the 1-10 year range, after a batch of strong economic data supported the case for more rate hikes. Markets are now pricing in an 86.8% probability of another 25 basis point rate hike on July 26. This would bring the Federal Funds rate to a range of 5.25% - 5.50%. Federal Reserve Chairman Jerome Powell remarked on Wednesday that “although policy is restrictive, it may not be restrictive enough and it has not been restrictive for long enough” and that he “wouldn’t take moving at consecutive meetings off the table”. The Fed recently reported that the M2 measure of money supply increased 0.6% in May, the first increase in 10 months. M2 still remains down 4.0% from a year ago and is down at a 4.9% annual rate from the peak in July 2022. New single-family home sales continued to recover in May, increasing 12.2%. Sales still remain well below the pandemic highs of 2020 as the main issue with the U.S. housing market has been declining affordability. Since the Federal Reserve began its current tightening cycle in March 2022, monthly payments have increased 21% and 30-year mortgage rates are currently sitting near 7.0%. Real GDP growth in Q1 was revised higher to a 2.0% annual rate from a prior estimate of 1.3%, beating the consensus expected 1.4%. The final reading for real GDP growth in the first quarter ended up being much better than expected as a result of an upward revision to net exports. Major economic reports (related consensus forecasts, prior data) for the upcoming holiday shortened week include Monday: June Final S&P Global Manufacturing PMI (46.3, unch.), June ISM Manufacturing (47.2, 46.9); Wednesday: May Factory Orders (0.8%, 0.4%), May Final Durable Goods Orders (1.7%, unch.), June 14 FOMC Meeting Minutes; Thursday: June 30 MBA Mortgage Applications (n/a, 3.0%), June ADP Employment Change (240k, 278k), May Trade Balance (-\$69.0b, -\$74.6b), July 1 Initial Jobless Claims (245k, 239k); Friday: June Change in Nonfarm Payrolls (225k, 339k), June Unemployment Rate (3.6%, 3.7%).

| US Equities | | | |
|---------------------------|-------------------|--------------------------|---|
| Weekly Index Performance: | | Market Indicators: | |
| The Dow® | 34,407.60 (2.02%) | Strong Sectors: | Real Estate, Energy, Materials |
| S&P 500® | 4,450.38 (2.36%) | Weak Sectors: | Communication Services, Health Care, Consumer Staples |
| S&P MidCap 400® | 2,622.34 (4.33%) | | |
| S&P SmallCap 600® | 1,216.35 (4.36%) | | |
| Nasdaq Composite® | 13,787.92 (2.20%) | NYSE Advance/Decline: | 2,487 / 637 |
| Russell 2000® | 1,888.73 (3.75%) | NYSE New Highs/New Lows: | 293 / 94 |
| | | AAll Bulls/Bears: | 41.9% / 27.5% |

Stocks ended the second quarter higher by 8.7% and have returned almost 17% since the beginning of the year as measured by the S&P 500. All eleven sectors posted positive returns last week with Real Estate and Energy holdings in the S&P 500 posting gains of about 5% each and the full index returned 2.4%. Increased demand for sea travel pushed cruise stocks to the top of the S&P 500 gainers with **Carnival Corp** and **Norwegian Cruise Line** returning 19% and 12%, respectively. Air travel is also making a recovery as **Delta Air Lines** raised its 2023 outlook after improved fuel and labor costs aligned with increased demand. The optimistic view also lifted carriers **American Airlines** and **Alaska Air Group**. The increased demand doesn't come without some operational issues. **United Airlines** had to cancel or delay a greater number of flights than its rivals due to storms and booking problems. After passing the Federal Reserve's stress test, big banks **JPMorgan**, **Wells Fargo**, and **Morgan Stanley** all announced higher dividends. The big theme spilled over to the technology sector as the S&P 500's biggest name, **Apple Inc**, became the first company in history to reach a \$3 trillion dollar market capitalization. On the shoulders of Apple, the tech-heavy Nasdaq 100 has added almost \$5 trillion dollars of value since the beginning of the year. Viewed through a more narrow lens, the largest five megacap names in the S&P 500 have gained about 75% this year. Looking ahead to the abbreviated Independence Day holiday week, productivity gauges for construction, factory orders, and durable goods are all set to be released.

The information presented is not intended to constitute an investment recommendation for, or advice to, any specific person. By providing this information, First Trust is not undertaking to give advice in any fiduciary capacity within the meaning of ERISA, the Internal Revenue Code or any other regulatory framework. Financial professionals are responsible for evaluating investment risks independently and for exercising independent judgment in determining whether investments are appropriate for their clients.