

US Economy and Credit Markets			
Yields and Weekly Changes:			
3 Mo. T-Bill:	5.419 (2.3 bps)	Bond Buyer 40 Yield:	4.53 (-7 bps)
6 Mo. T-Bill:	5.472 (2.4 bps)	Crude Oil Futures:	83.19 (0.37)
1 Yr. T-Bill:	5.337 (5.0 bps)	Gold Spot:	1,913.76 (-29.15)
2 Yr. T-Note:	4.895 (13.1 bps)	Merrill Lynch High Yield Indices:	
3 Yr. T-Note:	4.575 (12.8 bps)	U.S. High Yield:	8.56 (-4 bps)
5 Yr. T-Note:	4.301 (16.8 bps)	BB:	7.20 (unch)
10 Yr. T-Note:	4.152 (11.8 bps)	B:	8.73 (-7 bps)
30 Yr. T-Bond:	4.261 (6.1 bps)		

Treasury yields rose significantly over the course of the week as the expectations for longer term interest rates remained elevated. On Monday, Kansas City Federal Reserve Governor Michelle Bowman said that additional rate hikes “will likely be needed” and New York Fed President John Williams implied that it would be necessary to keep a restrictive policy “for some time.” This caused Treasury yields to rise moderately on Monday before pulling back again on Tuesday and Wednesday as investors were seeking the perceived safety of Treasuries. Poor economic news globally led to persistent demand for the 10-year Treasury auction as data out of China showed that its exports dropped by the most since 2020 and imports contracted as well. Treasury yields then rose significantly again on Thursday as the Consumer Price Index rose 3.2% year-over-year for the month of July, which was lower than expectations of 3.3%, but an increase from the previous month. The market implied Federal Funds Rate following the June 12, 2024 meeting began the week at 4.751 and rose to 4.873 by the end of the week as investors worry that inflation will remain more persistent than expected and that the Federal Reserve will not cut rates as quickly as expected. Major economic reports (related consensus forecasts, prior data) for the upcoming week include Tuesday: July Advance Retail Sales MoM (0.4%, 0.2%), August Empire Manufacturing (-0.9, 1.1); Wednesday: August 11 MBA Mortgage Applications (n/a, -3.1%), July Housing Starts (1450k, 1434k), July Industrial Production MoM (0.3%, -0.5%); Thursday: August 12 Initial Jobless Claims (239k, 248k), July Leading Index (-0.4%, -0.7%).

US Equities			
Weekly Index Performance:		Market Indicators:	
The Dow®	35,281.40 (0.69%)	Strong Sectors:	Energy, Health Care, Utilities
S&P 500®	4,464.05 (-0.27%)	Weak Sectors:	Information Technology, Materials, Consumer Disc.
S&P MidCap 400®	2,660.55 (-0.75%)		
S&P SmallCap 600®	1,243.65 (-1.23%)		
Nasdaq Composite®	13,644.85 (-1.87%)	NYSE Advance/Decline:	1,362 / 1,689
Russell 2000®	1,925.11 (-1.62%)	NYSE New Highs/New Lows:	219 / 108
		AAII Bulls/Bears:	44.7% / 25.5%

Stocks traded lower by -0.27%, as measured by the S&P 500, after mixed economic data moved stocks higher on Monday before grinding down to close out the week. The lack of direction in stock prices was fueled by investors’ bets that the Federal Reserve will skip a rate hike in September, but the tight interest rate policy will persist to prevent increased inflation. Large-cap technology sold off last week, after **NVIDIA Corp** dropped over 8% and took the rest of the sector lower. **Micron Technology** and **ON Semiconductor** also decreased around 8% after news of increased costs softened the companies’ full-year outlooks. On the positive side, drugmaker **Eli Lilly** reported better-than-expected earnings on Tuesday; propelling its stock price higher by over 17% for the week. The company’s sales of a diabetes drug used to treat weight loss came in 30% above expectations. The company announced that manufacturing capacity advancements will help boost sales volumes and should help keep margins intact. The bifurcated earnings news is a sign that the narrow market we have seen over the past year could start to widen as the mega-cap tech names have ceded some of their price leadership to smaller names in the large-cap S&P 500 index. As evidenced by the best-performing sector last week, Energy stocks have come off their second-quarter low as the price of oil has sustained over the \$80 level. Sector leaders **Valero** and **Marathon** both traded higher by about 9% last week. Looking ahead to next week, economic numbers that take the pulse of the consumer are set for release early in the week. Retail sales, import and export prices along with key housing data are all on the calendar. Later in the week, the Fed is back in focus as the July FOMC meeting minutes will be disseminated on Wednesday.

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