

US Economy and Credit Markets			
Yields and Weekly Changes:			
3 Mo. T-Bill:	5.430 (1.1 bps)	Bond Buyer 40 Yield:	4.68 (15 bps)
6 Mo. T-Bill:	5.466 (-0.6 bps)	Crude Oil Futures:	81.25 (-1.94)
1 Yr. T-Bill:	5.339 (0.2 bps)	Gold Spot:	1,889.31 (-24.45)
2 Yr. T-Note:	4.943 (4.8 bps)	Merrill Lynch High Yield Indices:	
3 Yr. T-Note:	4.647 (7.2 bps)	US High Yield:	8.76 (20 bps)
5 Yr. T-Note:	4.385 (8.4 bps)	BB:	7.39 (19 bps)
10 Yr. T-Note:	4.255 (10.3 bps)	B:	8.96 (23 bps)
30 Yr. T-Bond:	4.375 (11.4 bps)		

Treasury yields were up across the board, with longer duration seeing the most significant increases. Yields began the week higher as investors focused on the possibility that U.S. inflation could flare up again. On Tuesday, 10 Yr. and 30 Yr. treasuries finished at their highest levels since October following a strong batch of retail data. Sales rose 0.7% in July, beating economists' expectations and helped by strong internet purchases during Amazon's Prime Day. Yields continued to rise Wednesday and Thursday, sending the 10 Yr. and 30 Yr. rates to their highest closing levels in over a decade. On Wednesday, July industrial production jumped 1.0%, easily beating consensus expected gain of 0.3%. This was the largest monthly gain since January and every major category posted a gain. Also on Wednesday, July housing starts increased 3.9% in July, narrowly beating consensus estimates. The gain in July was entirely due to single-family starts which are up 9.5% in the past year. The 10 Yr. and 30 Yr. Treasury yields closed out the week off their multiyear highs after a minor selloff on Friday. Resilient economic data suggests the possibility that central banks may need to raise interest rates further to curb inflation. Major economic reports (related consensus forecasts, prior data) for the upcoming week include Tuesday: July Existing Home Sales (4.15m, 4.16m); Wednesday: August 18 MBA Mortgage Applications (n/a, -0.8%), August Preliminary S&P Global US Manufacturing PMI (49, unch.), July New Home Sales (704k, 697k); Thursday: August 19 Initial Jobless Claims (240k, 239k), July Preliminary Durable Goods Orders (-4.0%, 4.6%); Friday: August Final University of Michigan Consumer Sentiment (71.2, unch.).

US Equities			
Weekly Index Performance:		Market Indicators:	
DJIA:	34,500.66 (-2.10%)	Strong Sectors:	Energy, Health Care, Info. Tech.
S&P 500:	4,369.71 (-2.05%)	Weak Sectors:	Financials, Real Estate, Cons. Discretionary
S&P Midcap:	2,578.86 (-3.02%)	NYSE Advance/Decline:	540 / 2,538
S&P Smallcap:	1,201.38 (-3.33%)	NYSE New Highs/New Lows:	112 / 178
NASDAQ Comp:	13,290.78 (-2.55%)	AAll Bulls/Bears:	35.9% / 21.3%
Russell 2000:	1,859.42 (-3.36%)		

The S&P 500 returned -2.1% last week the third straight negative week for the index. Economic headlines out of China have been very bearish for the world's second largest economy, increasing the odds of global economic contagion. Throughout last week the credit worthiness of the Chinese economy has come under pressure. Shadow banking giant Zhongrong missed payments on at least 22 products since the end of July. This bank had 160-200b of Yuan on deposit and over 30,000 investors. Missing these payments sparked economic worries among investors and protests among the Chinese people. The Chinese government stepped in to stabilize their currency and to add liquidity into other financial institutions, however, economic worries that this is too little too late remain. The U.S. Federal Reserve released their notes from their monthly meeting where the officials stated that "most participants continued to see significant upside risks to inflation, which could require further tightening of monetary policy." This roiled bond and equity markets as the 10-year yield rallied 10bps last week and equities fell. The AAll Bulls/Bears fell from a peak of 49% two weeks ago to 35.9% last week, this is now below the historical average of 37.5% and is an indication of investors souring on equities. There were a few earnings announcements last week, **Keysight Technologies Inc.** announced their quarterly results as earnings and revenue came in line with expectations, their outlook on 5G capex disappointed and the name returned -17.4% last week. **Cisco Systems Inc.** announced earnings and revenues which slightly beat expectations, but they did offer a rosy outlook in their AI and Security segments which helped lift the stock 2.3% last week. Looking ahead to next week, Nvidia will be in the news as the \$1t graphic processing unit (GPU's have been increasingly used for generative AI calculation) producer is due to report quarterly results. Also, economic reports of PMI, durable goods and consumer sentiment are expected to be released.

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