

US Economy and Credit Markets			
Yields and Weekly Changes:			
3 Mo. T-Bill:	5.353 (-1.4 bps)	Bond Buyer 40 Yield:	4.53 (3 bps)
6 Mo. T-Bill:	5.166 (-8.4 bps)	Crude Oil Futures:	72.30 (-1.13)
1 Yr. T-Bill:	4.655 (-17.8 bps)	Gold Spot:	2,049.06 (3.61)
2 Yr. T-Note:	4.144 (-23.7 bps)	Merrill Lynch High Yield Indices:	
3 Yr. T-Note:	3.927 (-23.5 bps)	U.S. High Yield:	7.91 (-23 bps)
5 Yr. T-Note:	3.830 (-17.7 bps)	BB:	6.50 (-23 bps)
10 Yr. T-Note:	3.939 (-10.7 bps)	B:	8.03 (-24 bps)
30 Yr. T-Bond:	4.175 (-2.7 bps)		

Treasury yields fell across the board last week as inflation data suggested that the Fed will cut rates this year. The November trade deficit in goods and services came in at \$63.2 billion on Tuesday, below the consensus expected of \$64.9 billion. The total volume of trade fell significantly in November, falling 11% and up only 0.2% from a year ago. Applications for home-purchased mortgages increased by the most since June, as borrowing costs have hovered over a seven-month low. On Thursday, the consumer price index rose 0.3%, above the consensus expected of 0.2%. The twelve-month CPI is up 3.4% from a year ago, which is still far away from the Fed's long-term target of 2.0%. Initial jobless claims remained relatively unchanged last week, falling 1k to 202k but were well below the consensus expected of 210k. The labor market continues to remain healthy, as employers have opted to cut back on hiring instead of laying off workers. Yields fell on Friday, with 2-year yields falling to the lowest since October 2020, after the producer price index unexpectedly fell last month to -0.1%; this reinforces bets that the Fed will cut rates this year. Major economic reports (related consensus forecasts, prior data) for the upcoming shortened holiday week include Tuesday: January Empire Manufacturing (-2.9, -14.5); Wednesday: January 12 MBA Mortgage Applications (N/A, 9.9%), December Retail Sales Advanced MoM (0.4%, 0.3%), December Industrial Production MoM (-0.1%, 0.2%), December Import Price Index MoM (-0.7%, -0.4%); Thursday: December Housing Starts (1415k, 1560k), January 13th Initial Jobless Claims (N/A, N/A), January 6th Continuing Claims (N/A, N/A); Friday: January Preliminary University of Michigan Sentiment (69.1, 69.7), December Existing Home Sales (3.84m, 3.82m).

US Equities			
Weekly Index Performance:		Market Indicators:	
The Dow®	37,592.98 (0.35%)	Strong Sectors:	Information Technology, Comm Services, Cons Disc
S&P 500®	4,783.83 (1.87%)	Weak Sectors:	Energy, Utilities, Materials
S&P MidCap 400®	2,728.63 (0.60%)	NYSE Advance/Decline:	1,578 / 1,351
S&P SmallCap 600®	1,269.90 (-0.03%)	NYSE New Highs/New Lows:	198 / 67
Nasdaq Composite®	14,972.76 (3.09%)	AAII Bulls/Bears:	48.6% / 24.2%
Russell 2000®	1,950.96 (0.00%)		

Stocks rose by just under 2% last week, measured by the S&P 500. The battle for the largest company in the index went to Microsoft as Apple slid last week after worries over smartphone demand weighed on the stock since the beginning of the year. Microsoft rose 1% on Friday, valuing the company at \$2.89 trillion versus Apple's \$2.87 trillion. Thursday's volatile trading came after a higher-than-expected CPI report that softened the view that rate cuts could happen as soon as March of this year. Global inflation pressures are on investors' minds as shipping and oil prices rose after attacks by Houthi rebels in the Red Sea have sent ocean freight rates higher by a factor of two over the past four weeks. After a premature tweet from the SEC announcing the approval of cryptocurrency ETFs, the first funds traded on Thursday. Following the announcement and subsequent fund launches, cryptocurrencies sold off, with the flagship Bitcoin falling from a two-year high of \$49,000 to about \$43,000 on Friday. Some of the largest banks on Wall Street led off Friday with their quarterly earnings releases. The banks called for an end to the record run of their main source of revenue, net interest income. Wells Fargo said a decline of 7% to 9% was possible for 2024, while both Citigroup and JPMorgan Chase forecast modest declines in their forecasts. Looking ahead to next week's MLK Day shortened schedule, data on retail sales, import and export prices, housing prices, and jobs are all slated for release.

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