

US Economy and Credit Markets

Yields and Weekly Changes:

3 Mo. T-Bill:	4.501 (-13.2 bps)	Bond Buyer 40 Yield:	4.42* (unch.) *as of 10/24/24
6 Mo. T-Bill:	4.436 (-7.9 bps)	Crude Oil Futures:	69.49 (-2.29)
1 Yr. T-Bill:	4.265 (-3.0 bps)	Gold Spot:	2,736.53 (-11.03)
2 Yr. T-Note:	4.205 (10.1 bps)	Merrill Lynch High Yield Indices:	
3 Yr. T-Note:	4.185 (13.5 bps)	US High Yield:	7.53 (12 bps)
5 Yr. T-Note:	4.225 (16.2 bps)	BB:	6.40 (14 bps)
10 Yr. T-Note:	4.384 (14.4 bps)	B:	7.65 (19 bps)
30 Yr. T-Bond:	4.578 (7.9 bps)		

The Treasury yield curve steepened significantly last week as short-maturity yields dropped moderately, and long-maturity yields rose moderately as investors speculated on the upcoming elections in the U.S. and the performance of mega cap technology companies. Early in the week, investors began to price in a higher likelihood of a victory by former President Trump, causing long-term Treasury yields to rise moderately on both Monday and Wednesday, while short-term yields fell slightly. On Thursday, the market began to weigh disappointing outlooks from some mega-cap technology companies and yields fell slightly across all maturity levels. On Friday, the October Change in Nonfarm payrolls was only 12k, which was significantly lower than consensus expectations of 100k, and a drop from 254k last month. However, mega-cap technology companies rebounded as investors took a more risk-on approach, which led long-term yields to rise moderately again and further steepen the yield curve. The market implied probability of a single 25-basis-point interest rate cut in the Federal Funds Rate at the November 7th Federal Reserve meeting is 97.2%, which is relatively unchanged from last week. The market implied rate for the end of 2025 increased 14 basis points to 3.65 as investors continue to pull back on their expectations for rate cuts over the next year. Major economic reports (related consensus forecasts, prior data) for the upcoming week include: Monday: September Factory Orders (-0.5%, -0.2%), September Final Durable Goods Orders (n/a, -0.1%); Tuesday: September Trade Balance (-\$84.2b, -\$70.4b), October ISM Services Index (53.8, 54.9); Wednesday: November 1 MBA Mortgage Applications (n/a, -0.1%); Thursday: November 2 Initial Jobless Claims (221k, 216k), November 7 FOMC Rate Decision (Upper Bound) (4.75%, 5.00%); Friday: November Prelim. U. of Mich. Sentiment (71.0, 70.5).

US Equities

Weekly Index Performance:

Market Indicators:

The Dow®	42,052.19 (-0.15%)	Strong Sectors:	Comm. Services, Cons. Discretionary
S&P 500®	5,728.80 (-1.35%)		Financials
S&P MidCap 400®	3,102.85 (-0.13%)	Weak Sectors:	Utilities, Real Estate
S&P SmallCap 600®	1,389.31 (-0.08%)		Info Tech
Nasdaq Composite®	18,239.92 (-1.5%)	NYSE Advance/Decline:	1,033 / 1,833
Russell 2000®	2,210.13 (0.11%)	NYSE New Highs/New Lows:	270 / 134
		AAll Bulls/Bears:	39.5% / 30.9%

The S&P 500 returned -1.35% last week with broad based weakness as only the Communications Services, Consumer Discretionary, and Financials sectors finished the week with positive returns. The top sector was the Communication Services sector which returned 1.53%. Charter Communications Inc. registered the highest return in the sector, rising 9.07% after reporting a 38% increase in mobile sales. Communication Services giant **Alphabet Inc.**'s Class A share returned 3.64% after the company reported that its cloud business saw a 35% increase on top of higher revenue from YouTube ads as the election year nears its crescendo. Consumer discretionary name **Amazon.com Inc.** rose 5.38% after delivering 3Q profit and revenue growth. The company plans to spend \$75 billion on capital expenditure over the next year to support their generative AI business. **Microsoft Corp.** has already spent \$53 billion on capex this year and **Meta Platforms Inc.** intends to spend up to \$40 billion on capex next year, indicating continued demand for AI-related products. The Information Technology sector performed worst among sectors last week and returned -3.27% after accounting firm Ernst & Young resigned from **Super Micro Computer Inc.**, citing concerns with the board's integrity. The server company spiraled down to a -44.89% return for the week. **Super Micro Computer Inc.** partner **NVIDIA Inc.** returned -4.34% for the week in response, and the semiconductors industry returned -3.90% overall. The second and third worst sector performances belonged to the rate-sensitive Real Estate and Utilities sectors, which declined as interest rates rose and returned -3.05% and -2.78% respectively. In other news, Nonfarm Payroll numbers came in at 12k, a paltry report compared to the 100k expected. Private Payrolls registered a -28k figure. Upcoming this week there will be plenty of news for investors to digest; on the economic front the trade balance, PMI, and initial jobless claims will be announced. On the earnings front, 102 members of the S&P 500 are expected to report quarterly results, including **QUALCOMM Inc.**, **Arista Networks Inc.**, biotechnology names **Vertex Pharmaceuticals Inc.** and **Gilead Sciences Inc.**, and **Palantir Technologies Inc.**

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