

US Economy and Credit Markets

Yields and Weekly Changes:

3 Mo. T-Bill:	5.396 (1.0 bps)	Bond Buyer 40 Yield:	4.37 (-6 bps)
6 Mo. T-Bill:	5.371 (0.7 bps)	Crude Oil Futures:	78.26 (0.15)
1 Yr. T-Bill:	5.172 (5.4 bps)	Gold Spot:	2,360.50 (58.76)
2 Yr. T-Note:	4.866 (4.9 bps)	Merrill Lynch High Yield Indices:	
3 Yr. T-Note:	4.669 (2.1 bps)	US High Yield:	8.11 (4 bps)
5 Yr. T-Note:	4.513 (1.4 bps)	BB:	6.73 (3 bps)
10 Yr. T-Note:	4.496 (-1.1 bps)	B:	8.02 (2 bps)
30 Yr. T-Bond:	4.639 (-2.6 bps)		

Treasury yields were little changed last week in a light week for economic data. Initial jobless claims increased sharply in the week ending May 4, coming in higher than expected. However, most of the increase was due to the spring recess at New York City public schools and is unlikely to be a sign of labor market cooling, which the Fed is monitoring as it decides if and when to cut interest rates. The University of Michigan's Consumer Sentiment Index fell sharply to its lowest level in six months, missing even the lowest expectations. The decline was widespread across age, income, and education demographics. Higher inflation expectations, which increased to 3.5% for the year ahead from 3.2% last month, and concerns about the job market weighed on sentiment. Consumers also expect interest rates to be higher for longer. Fed officials echoed that sentiment, reiterating last week that rates will likely stay higher for longer as bringing inflation down to the Fed's 2% target will take longer than initially thought. April's Consumer Price Index reading will be released on Wednesday this week, offering the latest look at inflation. Major economic reports (related consensus forecasts, prior data) for the upcoming week include Tuesday: April PPI Final Demand MoM (0.3%, 0.2%); Wednesday: April CPI MoM (0.4%, 0.4%), April CPI YoY (3.4%, 3.5%), April Retail Sales Advance MoM (0.4%, 0.7%), May 10 MBA Mortgage Applications (N/A, 2.6%), May Empire Manufacturing (-10.0, -14.3); Thursday: May 11 Initial Jobless Claims (219k, 231k), April Housing Starts (1435k, 1321k), April Industrial Production MoM (0.2%, 0.4%); Friday: April Leading Index (-0.3%, -0.3%).

US Equities

Weekly Index Performance:

Market Indicators:

The Dow®	39,512.84 (2.2%)	Strong Sectors:	Utilities, Financials
S&P 500®	5,222.68 (1.89%)		Materials
S&P Midcap 400®	2,993.96 (2.25%)	Weak Sectors:	Info Tech, Energy
S&P Smallcap 600®	1,324.38 (1.79%)		Cons. Discretionary
NASDAQ Composite®	16,340.87 (1.17%)	NYSE Advance/Decline:	1,879 / 1,027
Russell 2000®	2,059.78 (1.21%)	NYSE New Highs/New Lows:	405 / 72
		AAll Bulls/Bears:	40.8% / 23.8%

Equities rose 189 basis points last week, measured by the S&P 500, as the VIX sank about 7% with little macroeconomic data being released. The S&P 500 was led higher by the Utilities sector which returned 4.13%. The best performer in the sector was **Vistra Corporation** which gained 14.64% after the firm reported earnings and raised EBITDA guidance well above analysts' expectations. Management at the power provider expects strong demand driven by AI Data Centers as well as material benefit from the Inflation Reduction Act tax credits for renewable and nuclear energy. The worst sector in the S&P 500 was the Consumer Discretionary sector which only returned 18 basis points last week. The sector was dragged lower by **Airbnb Incorporated** which sank 8.38% following its earnings release. While the rental company beat revenue and earnings per share estimates it gave lackluster guidance for the second quarter in a row indicating travel spending may be slowing ahead of the peak summer season. While the near term outlook was weak management did expect to see an uptick later in the year with large events like the Summer Olympics in Paris and the Euro Cup in Germany fueling demand. While there was little economic data released last week inflation expectations remained in the spot light after consumer sentiment data was released on Friday. Consumer sentiment numbers came in below all estimates and short term inflation expectations came in above estimates. Several Fed officials also spoke on Friday noting that it appears too early to be talking about interest rate cuts given persistent inflation. Ultimately, investors were slightly on edge as Friday's data looked like the opposite of a goldilocks scenario, high inflation and a slowing economy, which would put the Fed in a tough spot. Upcoming this week much of the focus will likely be on economic releases as PPI and CPI numbers come out on Tuesday and Wednesday, respectively. Earnings releases among large caps will be light this week as only 7 names in the S&P 500 are expected to release results, notable names include: **Walmart, Home Depot, Deere & Co, and Take-Two Interactive Software**. While the number of companies releasing earnings is low compared to last week, investors will be keen to hear results as the companies shed additional light on the financial health of consumers. Additionally, the U.S. Census Bureau releases Retail Sales numbers on Wednesday. These earnings releases in tangent with Retail Sales data are likely to give a robust picture of consumer spending.

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