

US Economy and Credit Markets			
Yields and Weekly Changes:			
3 Mo. T-Bill:	5.397 (0.7 bps)	Bond Buyer 40 Yield:	4.48 (10 bps)
6 Mo. T-Bill:	5.381 (1.8 bps)	Crude Oil Futures:	77.72 (-2.34)
1 Yr. T-Bill:	5.195 (6.7 bps)	Gold Spot:	2,333.83 (-81.39)
2 Yr. T-Note:	4.946 (12.1 bps)	Merrill Lynch High Yield Indices:	
3 Yr. T-Note:	4.716 (10.6 bps)	US High Yield:	8.09 (9 bps)
5 Yr. T-Note:	4.528 (8.3 bps)	BB:	6.72 (8 bps)
10 Yr. T-Note:	4.465 (4.5 bps)	B:	8.04 (9 bps)
30 Yr. T-Bond:	4.570 (1.1 bps)		

Treasury yields finished the week higher as many Federal Reserve officials see a slower path to returning inflation back to the Fed's 2% target. Wednesday's release of the minutes from the last Fed meeting revealed various officials commented on their uncertainty about the degree of restrictiveness and mentioned a "willingness to tighten policy further should risks to inflation materialize", causing yields to rise. Also on Wednesday, April Existing Home Sales declined 1.9% to a 4.140 million annual rate, falling short of the consensus expected 4.230 million. Home sales continue to face headwinds from both rising home prices and mortgage rates that remain above 7%. On Thursday, April New Home Sales declined 4.7% to a 0.634 million annual rate, also falling short of the consensus expected 0.678 million. Affordability continues to be a major headwind for home sales (both new and existing), though the median price of a new home is now down 6% from the peak in 2022. April Durable Goods was released on Friday, and new orders for durable goods rose 0.7% in April versus a consensus expected decline of 0.8%. April orders were led higher by motor vehicles and parts, while orders for commercial aircrafts declined. Core shipments, the most important data point in the release, rose 0.4% in April. Major economic reports (related consensus forecasts, prior data) for the upcoming holiday-shortened week include Tuesday: May Conference Board Consumer Confidence (96.0, 97.0); Wednesday: May 24 MBA Mortgage Applications (n/a, 1.9%); Thursday: 1Q Second GDP Annualized QoQ (1.3%, 1.6%), May 25 Initial Jobless Claims (217k, 215k); Friday: April Personal Income (0.3%, 0.5%), April Personal Spending (0.3%, 0.8%), May MNI Chicago PMI (41.0, 37.9).

US Equities			
Weekly Index Performance:		Market Indicators:	
DJIA:	39,069.59 (-2.30%)	Strong Sectors:	Comm. Services, Info. Tech, Industrials
S&P 500:	5,304.72 (0.05%)	Weak Sectors:	Financials, Real Estate, Energy
S&P Midcap:	2,976.67 (-1.28%)	NYSE Advance/Decline:	888 / 2,008
S&P Smallcap:	1,320.59 (-1.33%)	NYSE New Highs/New Lows:	410 / 102
NASDAQ Comp:	16,920.79 (1.42%)	AAll Bulls/Bears:	47.0% / 26.3%
Russell 2000:	2,069.67 (-1.21%)		

Last week, equity markets trended lower particularly in the Mid and Small-cap space. The S&P 500 delivered a near-flat return as earnings season wound down. A notable exception to the broader market trend was **NVIDIA Corp.** a leading manufacturer of graphic processing units (GPUs) needed to compute generative AI. NVDA's share price surged 15%, adding approximately \$330b in market capitalization. To put that surge in a little perspective Home Depot, Merck and Johnson & Johnson all have a market cap ~\$330b. NVDA's strong performance reflects its continued dominance in AI computing. The company reported impressive earnings of \$6.12 per share in the last quarter, nearly exceeding its earnings for fiscal years 2023 and 2022 combined. Furthermore, NVDA boosted its quarterly revenue guidance by nearly 17%, demonstrating its ability to capitalize on the growing demand for AI computing. Notably, the four largest cloud compute companies - Meta, Microsoft, Google, and Amazon – contributed nearly 40% of NVDA's revenue. AI has an ever-growing ripple effect impacting areas beyond just the traditional technology sector. The utilities sector emerged as the best performing sector since January, driven by the soaring electricity demands of data centers fueled by AI compute. **Vistra Corp.**, a prominent power generation company, exemplifies this trend as their stock has rallied over 166% year-to-date as they cater to the electricity needs of the AI space. The connection between AI and the solar industry is also becoming evident. **First Solar Inc.** experienced a significant stock price increase of over 40% last week, reaching its highest level since 2008. This surge is partly attributed to analyst factoring in the growing demand for solar power driven by AI compute needs. Other solar companies, such as **Enphase Energy Inc.** and **Canadian Solar Inc.** also had large positive returns last week. We remember those who died defending our country on Memorial Day, a heartfelt thank you to all those who have served and sacrificed for the freedom our country enjoys. Next week, the focus of equity markets will shift towards the consumer with economic updates on personal spending, personal consumption, and jobless claims.

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