

## US Economy and Credit Markets

### Yields and Weekly Changes:

|                |                  |                                   |                   |
|----------------|------------------|-----------------------------------|-------------------|
| 3 Mo. T-Bill:  | 5.358 (-2.0 bps) | Bond Buyer 40 Yield:              | 4.31 (1 bps)      |
| 6 Mo. T-Bill:  | 5.345 (1.1 bps)  | Crude Oil Futures:                | 80.73 (2.28)      |
| 1 Yr. T-Bill:  | 5.095 (3.8 bps)  | Gold Spot:                        | 2,321.98 (-11.06) |
| 2 Yr. T-Note:  | 4.732 (2.8 bps)  | Merrill Lynch High Yield Indices: |                   |
| 3 Yr. T-Note:  | 4.466 (2.7 bps)  | U.S. High Yield:                  | 8.01 (-2 bps)     |
| 5 Yr. T-Note:  | 4.274 (3.6 bps)  | BB:                               | 6.60 (-5 bps)     |
| 10 Yr. T-Note: | 4.255 (3.4 bps)  | B:                                | 7.84 (-1 bps)     |
| 30 Yr. T-Bond: | 4.397 (4.8 bps)  |                                   |                   |

Treasury yields were mostly higher last week, with only the 3 Month T-Bill finishing the week lower. Yields slipped on Tuesday following another disappointing retail sales report. Retail sales rose 0.1% in May, lagging the consensus estimate of a 0.3% gain. This marks the second straight month where retail sales lagged consensus estimates while prior months were revised lower, a sign that both elevated prices and higher borrowing costs are weighing on US consumers. Industrial production surprised to the upside in May, increasing 0.9% versus the consensus expected gain of 0.3%. This was the largest monthly gain since early 2023 as every major category increased in May. Investors returned from the midweek holiday on Thursday to a very weak May Housing Starts report. Housing starts declined 5.5% in May to a 1.277 million annual rate, falling short of the consensus expected 1.370 million. Housing starts have now fallen to the slowest pace since the worst of the COVID pandemic. Friday's Existing Home Sales report saw sales decline 0.7% in May to a 4.110 million annual rate, barely beating the consensus expected 4.100 million. This marks the third straight month of declining sales as affordability continues to be a major headwind for potential buyers. Major economic reports (related consensus forecasts, prior data) for the upcoming week include Tuesday: June Conference Board Consumer Confidence (100.0, 102.0); Wednesday: June 21 MBA Mortgage Applications (N/A, 0.9%), May New Home Sales (645k, 634k); Thursday: 1Q Third GDP Annualized QoQ (1.4%, 1.3%), June 22 Initial Jobless Claims (235k, 238k), May Preliminary Durable Goods Orders (-0.1%, 0.6%); Friday: May Personal Income (0.4%, 0.3%), May Personal Spending (0.3%, 0.2%), June MNI Chicago PMI (40.0, 35.4), June Final University of Michigan Sentiment (66.0, 65.6).

## US Equities

### Weekly Index Performance:

### Market Indicators:

|                   |                   |                          |                             |
|-------------------|-------------------|--------------------------|-----------------------------|
| The Dow®          | 39,150.33 (1.5%)  | Strong Sectors:          | Cons. Discretionary, Energy |
| S&P 500®          | 5,464.62 (0.63%)  |                          | Financials                  |
| S&P MidCap 400®   | 2,931.86 (1.28%)  | Weak Sectors:            | Real Estate, Info Tech      |
| S&P SmallCap 600® | 1,282.37 (0.8%)   |                          | Utilities                   |
| Nasdaq Composite® | 17,689.36 (0.01%) | NYSE Advance/Decline:    | 1,654 / 1,229               |
| Russell 2000®     | 2,022.03 (0.8%)   | NYSE New Highs/New Lows: | 166 / 160                   |
|                   |                   | AAll Bulls/Bears:        | 44.4% / 22.5%               |

The S&P 500 rose 63 basis points last week marking its third straight positive week led higher by the Consumer Discretionary sector which returned 2.50%. Strength in the sector was broad based as 42 of its 52 constituents experienced a positive return. The worst performing sector in the index was the Utilities sector which fell 75 basis points. The best performer in the S&P 500 was **Caesars Entertainment Inc** which gained 8.69% last week after the casino operator announced the completion of its acquisition of WynnBET's Michigan iGaming operations from **Wynn Resorts**. In the announcement **Caesars** said it is still awaiting regulatory approval for the new online casino brand, but it expects the full transition to take place later this year. The worst performer in the index was **Enphase Energy** which fell 14.40%. The solar company fell after JP Morgan trimmed the firm's price target given potential weakness in the European renewable market. Specifically, elevated inventories, low pricing power, and uncertainty regarding elections and policy in the near term were called out. Other renewable energy companies fell as well. Last week ended with stocks struggling to gain traction due to a quarterly episode known as a "triple witching." It was estimated that about \$5.5 trillion in equity options, index options, and index futures matured last Friday leading traders to either roll over existing positions or start new ones making the S&P 500's daily trading volume 60% greater than the past month average. A notable mover Friday due to the quarterly event was **NVIDIA Corporation** which came close to erasing a plunge of about 5% before falling again to end Friday down 3.22%. Upcoming this week eight companies in the S&P 500 are slated to report earnings. Commentary on artificial intelligence is likely to continue to dominate as **Micron Technology** reports earnings on Wednesday. Analysts have continued to be bullish on the chipmaker as it emerges from a sales slump and develops more advanced memory chips. Other notable names include **Carnival Corp**, **FedEx**, **Nike**, **Paychex**, and **Walgreen Boots Alliance**. On the economic front notable releases include final Q1 GDP QoQ growth data on Thursday and PCE and University of Michigan Sentiment data on Friday. Analysts expect Q1 GDP growth to be revised up 10 basis points from the last reading to 1.4% while year over year PCE is expected to decline 10 basis points to 2.6%.

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