

US Economy and Credit Markets			
Yields and Weekly Changes:			
3 Mo. T-Bill:	5.401 (0.3 bps)	Bond Buyer 40 Yield:	4.53 (-5 bps)
6 Mo. T-Bill:	5.379 (-0.2 bps)	Crude Oil Futures:	76.99 (-0.73)
1 Yr. T-Bill:	5.175 (-2.0 bps)	Gold Spot:	2,327.33 (-6.5)
2 Yr. T-Note:	4.873 (-7.3 bps)	Merrill Lynch High Yield Indices:	
3 Yr. T-Note:	4.680 (-3.7 bps)	U.S. High Yield:	8.18 (9 bps)
5 Yr. T-Note:	4.507 (-2.1 bps)	BB:	6.79 (7 bps)
10 Yr. T-Note:	4.499 (3.4 bps)	B:	8.00 (-4 bps)
30 Yr. T-Bond:	4.647 (7.7 bps)		

Treasury Yields finished with mixed results, fluctuating throughout the week with lower duration finishing lower and longer duration finishing higher for the week. On Wednesday, MBA Mortgage applications fell by -5.7% for the week, as mortgage rates increased for the first time in a month. The contract rate on a 30-year fixed mortgage increased by 4 basis points to 7.05%, denting demand for home-buying and refinancing. On Thursday, real GDP growth in Q1 was revised lower to a consensus expected 1.3% annual rate from a prior estimate of 1.6%. Downward revisions to personal consumption and inventories more than offset upward revisions to business investment, home building, and government purchases. Personal consumption, business fixed investment, and home building, combined, rose at a 2.8% annual rate in Q1. Both jobless claims and continuing claims ticked up for the week ending May 25<sup>th</sup>, increasing by 3k to 219k and 4k to 1.791 million, respectively. Although these levels remain low, hiring intentions from the regional Fed surveys remain negative which could indicate an increase in the unemployment rate ahead. Personal Income was in line with consensus expected of 0.3% on Friday for the month of April. Personal spending increased 0.2% in April but when adjusting for inflation, personal consumption unexpectedly declined 0.1%. This caused yields to fall on Friday, as the reports offered the Fed some solace about the pathway for controlling inflation. Major economic reports (related consensus forecasts, prior data) for the upcoming week include Monday: May final S&P Global US Manufacturing PMI (50.9, 50.9), May ISM Manufacturing (49.6, 49.2); Tuesday: April Factory Orders (0.6%, 1.6%), April Final Durable Goods Orders (0.7%, 0.7%); Wednesday May 31<sup>st</sup> MBA Mortgage Applications (N/A, -5.7%), May ADP Employment Change (175k, 192k); Thursday: April Trade Balance (-\$76.4b, -\$69.6b), June 1<sup>st</sup> Initial Jobless Claims(220k, 219k); Friday: May Change in Nonfarm Payrolls (190k, 175k), May Unemployment Rate (3.9%, 3.9%).

US Equities			
Weekly Index Performance:		Market Indicators:	
The Dow®	38,686.32 (-0.89%)	Strong Sectors:	Energy, Real Estate, Utilities
S&P 500®	5,277.51 (-0.49%)	Weak Sectors:	Information Technology, Industrials, Comm Services
S&P MidCap 400®	2,982.86 (0.22%)		
S&P SmallCap 600®	1,329.65 (0.72%)		
Nasdaq Composite®	16,735.02 (-1.09%)	NYSE Advance/Decline:	1,529 / 1,339
Russell 2000®	2,070.13 (0.04%)	NYSE New Highs/New Lows:	227 / 118
		AAll Bulls/Bears:	39.0% / 26.7%

Stocks, measured by the S&P 500, fell by -0.49% during the Memorial Day holiday week. Volatility was present in the market last week. The mega-cap tech leaders of the index showed weakness during the week as five of the *Magnificent 7* stocks traded lower. Small-cap names rallied by 0.72%, measured by the S&P 600, and mid-cap names also posted positive returns last week. The rotation out of Information Technology names and into Energy, Real Estate, and Utilities could be a sign the tech trade is fading and value stocks will be in favor as some Wall Street strategists are predicting. The index finished the month of May up over 4% and has posted gains in four of the past five months for a year-to-date total return of over 10%. Big box retailer **Best Buy** reported better than expected profitability even as sales disappointed the street last week. The company led the S&P 500 with an 18% return after management detailed the company's service and membership revenues have boosted profit margins. Retailers **Kohl's** and **Gap** had divergent paths last week as Kohl's dropped 23% on Thursday and Gap popped 29% on Friday. The company's respective CEOs have been driving the polarizing performances. Fueling the best-performing Energy sector higher last week was **ConocoPhillips** acquisition of **Marathon Oil** for \$17.1 billion all-stock deal. The deal allows ConocoPhillips to expand its geographic footprint into US shale basins in Texas and North Dakota. Next week, economic releases on jobs, manufacturing, and mortgage applications are all set for release.

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