

| US Economy and Credit Markets |                  |                                   |                   |
|-------------------------------|------------------|-----------------------------------|-------------------|
| Yields and Weekly Changes:    |                  |                                   |                   |
| 3 Mo. T-Bill:                 | 5.329 (-0.3 bps) | Bond Buyer 40 Yield:              | 4.30 (unch.)      |
| 6 Mo. T-Bill:                 | 5.193 (1.3 bps)  | Crude Oil Futures:                | 80.13 (-2.08)     |
| 1 Yr. T-Bill:                 | 4.877 (2.4 bps)  | Gold Spot:                        | 2,400.83 (-10.60) |
| 2 Yr. T-Note:                 | 4.511 (5.9 bps)  | Merrill Lynch High Yield Indices: |                   |
| 3 Yr. T-Note:                 | 4.287 (6.1 bps)  | U.S. High Yield:                  | 7.81 (-7 bps)     |
| 5 Yr. T-Note:                 | 4.166 (6.4 bps)  | BB:                               | 6.42 (-6 bps)     |
| 10 Yr. T-Note:                | 4.239 (5.6 bps)  | B:                                | 7.70 (-5 bps)     |
| 30 Yr. T-Bond:                | 4.447 (5.1 bps)  |                                   |                   |

Federal Reserve Chair Jerome Powell said last Monday that the last three inflation readings have given the Fed more confidence that inflation is progressing towards its 2% target. Meanwhile, economic data released last week showed initial jobless claims were higher than expected for the week ending July 13. The four-week moving average has also been trending upward this year, which offers another sign of a softening labor market and keeps the Fed on track to cut rates in September. With inflation apparently back on the right track and a cooling labor market, the Fed has shifted more of its focus from promoting stable prices to the other half of its dual mandate: promoting maximum employment. To that end, the market fully expects at least one 25-basis-point cut in the federal funds rate at the Fed's September meeting. Additional economic data released last week showed industrial production increased 0.6% in June from the prior month. That followed a healthy 0.9% increase in May and easily beat the expected 0.3% gain. The report is noteworthy because it suggests that manufacturing is showing some signs of revival after being in contraction for the better part of two years. Major economic reports (related consensus forecasts, prior data) for the upcoming week include Tuesday: June Existing Home Sales (3.99m, 4.11m); Wednesday: July Preliminary S&P Global US Manufacturing PMI (51.6, 51.6), July 19 MBA Mortgage Applications (N/A, 3.9%), June New Home Sales (645k, 619k); Thursday: July 20 Initial Jobless Claims (240k, 243k), 2Q Advance GDP Annualized QoQ (1.9%, 1.4%), June Preliminary Durable Goods Orders (0.5%, 0.1%); Friday: July Final U. of Mich. Sentiment (66.5, 66.0), June Personal Income (0.4%, 0.5%), June Personal Spending (0.3%, 0.2%).

| US Equities               |                    |                          |  |
|---------------------------|--------------------|--------------------------|--|
| Weekly Index Performance: |                    | Market Indicators:       |  |
| The Dow®                  | 40,287.53 (0.73%)  | Strong Sectors:          | Energy, Real Estate, Financials                  |
| S&P 500®                  | 5,505.00 (-1.95%)  | Weak Sectors:            | Infotech, Comm. Services, Consumer Discretionary |
| S&P MidCap 400®           | 3,015.30 (-0.17%)  |                          |  |
| S&P SmallCap 600®         | 1,380.44 (2.23%)   |                          |  |
| Nasdaq Composite®         | 17,726.94 (-3.65%) | NYSE Advance/Decline:    | 1,475 / 1,421                                    |
| Russell 2000®             | 2,184.35 (1.69%)   | NYSE New Highs/New Lows: | 604 / 31   |
|                           |                    | AAll Bulls/Bears:        | 52.7% / 23.4%                                    |

The S&P 500 closed out last week down almost 2%, the index's worst week since April. Friday's decline started before the market open after an IT outage caused by a **CrowdStrike** update affected computers running **Microsoft's** operating system. The global outage wreaked havoc for a wide range of companies in the airline, healthcare, and financial industries. CrowdStrike plunged 10% on the news. The company closed out the week at the bottom of the S&P 500 with a -17% return. With earnings season underway, 81% of S&P 500 companies reporting so far have beaten bottom line expectations. Healthcare provider **UnitedHealth** reported better than expected earnings on Tuesday, giving investors' confidence the company has moved past the financial and reputational damage caused by a cyber-attack earlier in the year. The company was one of the best weekly performers in the S&P 500 after gaining over 10%. A resilient Donald Trump accepted the Republican Party's Presidential nomination on Thursday. Momentum from the nomination has moved some areas of the market to outperform as investors look to deregulation and tax cuts that could boost profits for sectors like Energy, Health Care, and Financials. Incumbent President Joe Biden ended his reelection campaign on Sunday, giving way to Vice President Kamala Harris to seek the Democratic Party nomination. On top of the potential political changes, a September interest rate cut is looking more likely. Fed Chairman Powell has said the central bank is making progress toward lowering inflation to its 2% goal. Last week, Chicago Fed chief Austan Goolsbee said the Fed is at risk of missing the "golden path" of winning the inflation battle without a significant rise in unemployment if the central bank does not cut rates soon. Next week, megacap tech names will be in focus as some of the largest names in the S&P 500 are set to release quarterly results.

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