

US Economy and Credit Markets			
Yields and Weekly Changes:			
3 Mo. T-Bill:	4.880 (-17.1 bps)	Bond Buyer 40 Yield:	4.24 (-2 bps)
6 Mo. T-Bill:	4.632 (-8.5 bps)	Crude Oil Futures:	68.65 (0.98)
1 Yr. T-Bill:	4.010 (-8.3 bps)	Gold Spot:	2,577.70 (80.29)
2 Yr. T-Note:	3.582 (-6.4 bps)	Merrill Lynch High Yield Indices:	
3 Yr. T-Note:	3.439 (-8.7 bps)	US High Yield:	7.44 (-8 bps)
5 Yr. T-Note:	3.431 (-5.4 bps)	BB:	6.09 (-8 bps)
10 Yr. T-Note:	3.651 (-5.7 bps)	B:	7.47 (-3 bps)
30 Yr. T-Bond:	3.979 (-3.9 bps)		

The Consumer Price Index rose 0.2% in August and 2.5% from a year ago, both of which were in line with expectations. The 2.5% increase was the lowest since February 2021. However, core prices, which exclude food and energy costs, increased more than expected in August, rising 0.3% from July. The core index rose 3.2% from a year ago, driven by rising housing costs. Attention now shifts to this week's Fed meeting, where the Fed is set to cut interest rates for the first time since 2020. The question is, by how much? The higher-than-expected core prices seemingly took a "jumbo" rate cut off the table in favor of more gradual 0.25% cuts, as the Fed still has some work to do on inflation. As of Friday, however, the market still assigned a 50-50 chance of a 0.50% cut. Meanwhile, the University of Michigan Consumer Sentiment Index rose to a four-month high, with consumers voicing fewer concerns over high prices for big-ticket purchases. Most consumers also expect interest rates to decline in the coming year. Inflation expectations for the next year dropped for the fourth straight month, falling to 2.7%. Major economic reports (related consensus forecasts, prior data) for the upcoming week include Monday: September Empire Manufacturing (-4.0, -4.7); Tuesday: August Retail Sales Advance MoM (-0.2%, 1.0%), August Industrial Production MoM (0.1%, -0.6%); Wednesday: September 18 FOMC Rate Decision – Upper Bound (5.25%, 5.50%), September 13 MBA Mortgage Applications (N/A, 1.4%), August Housing Starts (1310k, 1238k); Thursday: September 14 Initial Jobless Claims (231k, 230k), August Existing Home Sales (3.90m, 3.95m), August Leading Index (-0.3%, -0.6%).

US Equities			
Weekly Index Performance:		Market Indicators:	
DJIA:	41,393.78 (2.62%)	Strong Sectors:	Cons. Discretionary, Industrials, Comm. Services
S&P 500:	5,626.02 (4.06%)	Weak Sectors:	Cons. Staples, Financials, Energy
S&P Midcap:	3,034.34 (3.29%)	NYSE Advance/Decline:	2,311 / 572
S&P Smallcap:	1,384.04 (3.46%)	NYSE New Highs/New Lows:	548 / 168
NASDAQ Comp:	17,683.98 (5.98%)	AAII Bulls/Bears:	39.8% / 31.0%
Russell 2000:	2,182.49 (4.39%)		

Equity markets experienced a strong rally last week, with the S&P 500 Index gaining 4.1%. This surge appears to be driven by increased expectations of more aggressive Federal Reserve rate cuts in the coming months. Market participants are now anticipating a total of 1.5 rate cuts of 25 basis points by the end of September and 8.5 by May, up from previous estimates of 1.3 and 8, respectively. This shift in expectations has particularly benefited mega-cap equities, as lower discount rates are anticipated to raise valuations. Beyond interest rate expectations, several corporate events and political developments also influenced the market. **Oracle Corp.** stock surged by 14.3% following the announcement of its quarterly results and expanded focus on cloud computing. The company's plans to construct small nuclear reactors near new data centers to power its growing cloud business and its projection of \$104 billion in cloud sales by 2029 contributed to the rally. However, not all corporate news was positive. **Adobe Inc.** saw shares declined by 4.7% after its full-year guidance fell short of expectations, primarily due to weakness in its digital media segment. Conversely, **NVIDIA Corp.** rallied 15.8% as CEO Jensen Huang expressed optimism about the future of artificial intelligence. Huang's recent discussions in Washington D.C. regarding public-private collaboration in AI and his prediction of rapid growth in the field further boosted investor sentiment. The White House also announced several initiatives related to AI, including a new task force focused on AI data center development. This aligns with the administration's goals of economic growth, security, and environmental sustainability. Looking ahead to next week, the Federal Open Market Committee's rate decision on Wednesday will be a major market event. As investors anticipate the first rate cut in this cycle, all asset classes will be closely watching for clues about the Fed's future monetary policy path.

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