

US Economy and Credit Markets			
Yields and Weekly Changes:			
3 Mo. T-Bill:	4.318 (2.6 bps)	Bond Buyer 40 Yield:	4.53 (13 bps)
6 Mo. T-Bill:	4.291 (1.8 bps)	Crude Oil Futures:	76.57 (2.61)
1 Yr. T-Bill:	4.209 (4.3 bps)	Gold Spot:	2,689.76 (49.54)
2 Yr. T-Note:	4.379 (10.1 bps)	Merrill Lynch High Yield Indices:	
3 Yr. T-Note:	4.466 (14.7 bps)	U.S. High Yield:	7.70 (12 bps)
5 Yr. T-Note:	4.574 (16.2 bps)	BB:	6.62 (10 bps)
10 Yr. T-Note:	4.759 (16.2 bps)	B:	7.79 (14 bps)
30 Yr. T-Bond:	4.947 (13.6 bps)		

Treasury yields were higher last week on the back of a strong jobs report that easily beat expectations. The US added 256,000 jobs in December, beating the 165,000 estimate. The unemployment rate unexpectedly fell from 4.2% to 4.1%, and average hourly earnings increased 3.9% from a year ago. With slow inflation progress and the jobs market proving resilient, the market dialed back expectations for rate cuts this year as the Fed shifts its focus from supporting the labor market back to reigning in inflation. The market currently expects one rate cut this year. A surge in long-term inflation expectations to 3.3%, the highest since 2008, according to the University of Michigan's Consumer Sentiment Index, also contributed to the higher yields. Consumers cited concerns that tariffs will pass through to consumers as higher prices. Yields have been moving higher of late. Following the jobs report, the yield on the 30-year Treasury briefly topped 5% for the first time in more than a year. Meanwhile, the 10-year Treasury yield has increased by more than 1% since September, as it is difficult to envision more Fed rate cuts in the near term. Major economic reports (related consensus forecasts, prior data) for the upcoming week include Tuesday: December PPI Final Demand MoM (0.3%, 0.4%); Wednesday: December CPI MoM (0.3%, 0.3%), December CPI YoY (2.9%, 2.7%); January 10 MBA Mortgage Applications (N/A, -3.7%), January Empire Manufacturing (3.3, 0.2); Thursday: January 11 Initial Jobless Claims (212k, 201k), December Retail Sales Advance MoM (0.5%, 0.7%); Friday: December Industrial Production MoM (0.3%, -0.1%), December Housing Starts (1320k, 1289k).

US Equities			
Weekly Index Performance:		Market Indicators:	
The Dow®	41,938.45 (-1.83%)	Strong Sectors:	Energy, Health Care, Materials
S&P 500®	5,827.04 (-1.92%)	Weak Sectors:	Real Estate, Info Technology, Financials
S&P MidCap 400®	3,099.47 (-1.66%)	NYSE Advance/Decline:	651 / 2,197
S&P SmallCap 600®	1,381.94 (-2.82%)	NYSE New Highs/New Lows:	107 / 257
Nasdaq Composite®	19,161.63 (-2.34%)	AAll Bulls/Bears:	34.7% / 37.4%
Russell 2000®	2,189.23 (-3.49%)		

Stocks traded lower by -1.92%, measured by the S&P 500, after declining by more than -1% on two of the four trading days last week. Eight of the 11 sectors in the S&P 500 traded lower last week with rate sensitive Real Estate down over 4%. Volatility in equity markets increased last week after investors repositioned their outlook for fewer interest rate cuts in 2025. The Energy sector led the S&P 500 last week as crude oil gained over 6% reaching a 5-month high. The move comes as President Biden announced aggressive sanctions on Russia's oil trade. News of a possible acquisition of **Calpine Corp** by **Constellation** broke on Wednesday and was confirmed on Friday, sending publicly held Constellation higher by over 20%. The \$16.4 billion dollar deal would create the largest fleet of power stations in the US and create the largest US power generator. After a troubled end of 2024, retail pharmacy **Walgreens Boots Alliance** reported better-than-expected quarterly sales, resulting in a more than 25% upward swing for the stock on Friday. The company previously announced it was looking at strategic options, including a sale of the company. Airline stocks also soared to the top of the best performing stocks in the S&P 500 as **Delta Air** beat profit estimates and guided to continued sales growth through 2025. Looking across size classes, small cap names, measured by the Russell 2000, lagged their large cap peers with a -3.40% weekly return. The index is down over 10% since hitting an all-time high in late November of last year. Looking ahead to next week, economic releases for producer and consumer price indexes (PPI and CPI), retail sales, and housing data are all set for release. Bank earnings are also on deck with **JPMorgan**, **Citigroup**, and **Wells Fargo** set to report next Wednesday.

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