

US Economy and Credit Markets			
Yields and Weekly Changes:			
3 Mo. T-Bill:	4.292 (1.8 bps)	Bond Buyer 40 Yield:	4.40 (-5 bps)
6 Mo. T-Bill:	4.272 (-1.9 bps)	Crude Oil Futures:	73.96 (3.36)
1 Yr. T-Bill:	4.166 (-1.8 bps)	Gold Spot:	2,640.22 (18.82)
2 Yr. T-Note:	4.279 (-4.7 bps)	Merrill Lynch High Yield Indices:	
3 Yr. T-Note:	4.319 (-4.7 bps)	US High Yield:	7.58 (-3 bps)
5 Yr. T-Note:	4.412 (-4.9 bps)	BB:	6.52 (-4 bps)
10 Yr. T-Note:	4.598 (-2.7 bps)	B:	7.65 (unch.)
30 Yr. T-Bond:	4.811 (-0.6 bps)		

Treasury yields finished the holiday-shortened week mostly lower, with only the three-month Treasury note posting a modest gain. Yields fell sharply to begin the week as the two-year and 10-year yields posted their largest single-day decline since November 25, and the largest for the 30-year yield since November 29. Yields finished mostly higher on Tuesday, the final trading session of the year, as heavy selling drove yields higher due to concerns that President-elect Donald Trump's agenda may cause inflationary pressures to build once again in the new year. Markets were closed on Wednesday to ring in the New Year, and yields were little changed on Thursday as trading volumes were relatively muted. Yields were slightly higher on Friday following the release of the December ISM Manufacturing report. The Index increased to 49.3 in December, beating the consensus expected 48.2, as most major measures of activity finished the month higher. Despite beating expectations, the Index continues to remain below 50 (signaling contraction) and has done so for 25 out of the last 26 months. Major economic reports (related consensus forecasts, prior data) for the upcoming week include: Monday: November Factory Orders (-0.4%, 0.2%), November Final Durable Goods Orders (-0.4%, -1.1%); Tuesday: November Trade Balance (-\$78.2b, -\$73.8b), December ISM Services Index (53.5, 52.1); Wednesday: January 3 MBA Mortgage Applications (N/A, N/A), December ADP Employment Change (133k, 146k), January 4 Initial Jobless Claims (216k, 211k); Thursday: November Final Wholesale Inventories MoM (-0.2%, -0.2%); Friday: December Change in Nonfarm Payrolls (160k, 227k), December Unemployment Rate (4.2%, 4.2%), January Preliminary University of Michigan Sentiment (73.9, 74.0).

US Equities			
Weekly Index Performance:		Market Indicators:	
The Dow®	42,732.13 (-0.59%)	Strong Sectors:	Energy, Utilities
S&P 500®	5,942.47 (-0.45%)		Real Estate
S&P MidCap 400®	3,152.14 (0.49%)	Weak Sectors:	Cons. Staples, Cons. Discretionary
S&P SmallCap 600®	1,422.22 (0.48%)		Materials
Nasdaq Composite®	19,621.68 (-0.49%)	NYSE Advance/Decline:	1,767 / 1,083
Russell 2000®	2,268.47 (1.13%)	NYSE New Highs/New Lows:	77 / 247
		AAll Bulls/Bears:	35.4% / 34.2%

The S&P 500 returned -45 bps last week with only the Energy sector and defensive sectors such as Health Care, Real Estate, and Utilities in the green. The market grew more optimistic about China's recovery after the Caixin manufacturing purchasing managers index indicated a third straight month of manufacturing activity expansion, and so the market became more optimistic about the energy that a recovery in China would demand, sending oil prices and the Energy sector higher. Energy names **Devon Energy Corp.** and **Diamondback Energy Inc.** led the sector with returns of 8.75% and 7.97%, respectively. The defensive Utilities sector came in second among sectors behind Energy, led by nuclear power producers after **Constellation Energy** rose 11.42% for the week, announcing a \$840 million contract with the government. Fellow nuclear utility name **Vistra Corp.** rose 16.24% over the week on the news. The Consumer Discretionary sector was led lower by the Automobiles industry. **Tesla Inc.** fell 4.80% after the car maker reported its first annual decline in deliveries, and after a man drove a Cybertruck in front of the Trump International Hotel in Las Vegas, which then exploded shortly after in a bombing attempt. Materials performed worst among sectors. President Biden blocked a \$14.9 billion deal between **United States Steel Corp.** and the spurned buyer, the Japan-based **Nippon Steel Corp.** In other news, the ISM Manufacturing Index came in at 49.3 for December, higher than the 48.3 figure expected and higher than November's 48.3 number, though still indicating contraction below 50. Initial jobless claims were 211k, below the 221k expected. Upcoming this week there will be plenty of news for investors to digest; on the economic front, JOLTS data, ISM Services data, nonfarm payrolls, unemployment, earnings growth, and FOMC minutes will all be released. On the earnings front, only three members of the S&P 500 are expected to announce quarterly earnings: **Constellation Brands Inc.**, **Delta Air Lines Inc.**, and **Walgreens Boots Alliance Inc.** Markets will be closed on January 9<sup>th</sup> for a National Day of Mourning to honor late former president Jimmy Carter.

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