

US Economy and Credit Markets			
Yields and Weekly Changes:			
3 Mo. T-Bill:	4.284 (-2.1 bps)	Bond Buyer 40 Yield:	4.45 (-2 bps)
6 Mo. T-Bill:	4.298 (1.8 bps)	Crude Oil Futures:	72.53 (-2.13)
1 Yr. T-Bill:	4.149 (-0.8 bps)	Gold Spot:	2,798.41 (27.83)
2 Yr. T-Note:	4.197 (-6.9 bps)	Merrill Lynch High Yield Indices:	
3 Yr. T-Note:	4.238 (-8.8 bps)	US High Yield:	7.42 (2 bps)
5 Yr. T-Note:	4.327 (-9.9 bps)	BB:	6.35 (-1 bps)
10 Yr. T-Note:	4.539 (-8.2 bps)	B:	7.51 (4 bps)
30 Yr. T-Bond:	4.787 (-5.8 bps)		

Treasury yields finished the week mostly lower, with only the six-month Treasury seeing a slight gain. Yields finished at their lowest levels of 2025 following Monday's stock market rout, as investors flocked to the safety of U.S. government debt. On Wednesday, the Federal Reserve held their first meeting of the new year and left interest rates unchanged, a move that was widely expected. Following the meeting, Federal Reserve Chairman Jerome Powell stated that "we don't need to be in a hurry to adjust our policy stance" as the Fed remains committed to reaching their 2% inflation goal. Yields were little changed following the announcement, though they closed the week at their highest levels on Friday after White House Spokesperson Karoline Leavitt confirmed that President Donald Trump is ready to implement 25% tariffs on Canada and Mexico, along with a 10% tariff on China. In other economic news, New single-family homes increased 3.6% in December to a 0.698 million annual rate, beating the consensus expected 0.675 million. New orders for durable goods declined 2.2% in December, falling well short of the consensus expected rise of 0.6%. Real GDP increased at a 2.3% annual rate in Q4, lagging the consensus expected 2.6%. Personal income rose 0.4% in December, matching consensus expectations while personal consumption rose 0.7%, beating the consensus expected 0.5%. Major economic reports (related consensus forecasts, prior data) for the upcoming week include: Monday: January Final S&P Global US Manufacturing PMI (50.1, 50.1), January ISM Manufacturing (49.9, 49.3); Tuesday: December Factory Orders (-0.7%, -0.4%), December Final Durable Goods Orders (-2.2%, -2.2%); Wednesday: January 31 MBA Mortgage Applications (n/a, -2.0%), January ADP Employment Change (150k, 122k), December Trade Balance (-\$96.8b, -\$78.2b), January ISM Services Index (54.1, 54.1); Thursday: February 1 Initial Jobless Claims (213k, 207k); Friday: January Change in Nonfarm Payrolls (170k, 256k), January Unemployment Rate (4.1%, 4.1%), February Preliminary University of Michigan Sentiment (72.0, 71.1), December Final Wholesale Inventories MoM (-0.5%, -0.5%).

US Equities			
Weekly Index Performance:		Market Indicators:	
DJIA:	44,544.66 (0.27%)	Strong Sectors:	Comm. Services, Cons. Staples, Health Care
S&P 500:	6,040.53 (0.99%)	Weak Sectors:	Utilities, Energy, Info. Tech.
S&P Midcap:	3,239.04 (-1.10%)	NYSE Advance/Decline:	1,339 / 1,485
S&P Smallcap:	1,448.24 (-0.47%)	NYSE New Highs/New Lows:	253 / 74
NASDAQ Comp:	19,627.44 (-1.63%)	AAll Bulls/Bears:	41% / 34.0%
Russell 2000:	2,287.69 (-0.86%)		

Equity markets experienced a volatile week. On Monday, the AI-related trade that had driven market performance for the past 18 months declined following news of China's development of a sophisticated chatbot, Deepseek. This development triggered a 1.5% drop in the S&P 500 Index, a 1.1% decrease in the S&P 400 Index, and a 0.4% decline in the S&P 600 Index Monday. The technology-heavy Nasdaq 100 Index fell 3.0%, led by a 17% drop in **NVIDIA Corp.**, erasing \$592 billion in market capitalization—a single-day record. China's announcement of Deepseek's development cost of only \$6 million and its open-source nature prompted market participants to assess the technological implications. The realization that Deepseek, while leveraging a novel approach, was not a fundamentally new Large Language Model (LLM) contributed to a market rebound for the remainder of the week, mitigating the initial impact. Positive earnings announcements also supported equity market performance. **Apple Inc.** shares rallied nearly 6% after reporting strong revenue and earnings, excluding China. While the company continues to face challenges in the Chinese market, exacerbated by recent inventory adjustments, CEO Cook characterized the quarter as their "best ever." **Meta Platforms Inc.** (parent company of Facebook) also saw its shares rise 6.3% following quarterly results that exceeded expectations for both revenue and earnings. The company's outlook was also positive, with CEO Zuckerberg expressing interest in integrating Deepseek's advancements into Meta's systems. However, not all earnings reports were positive. **Microsoft Corp.** shares declined 6.2% after the company announced quarterly results that revealed slower-than-anticipated growth in its Azure cloud platform revenue. Looking ahead, 130 companies in the S&P 500 are scheduled to announce quarterly results next week, including **Alphabet Inc.** (Google's parent), **Amazon.com Inc.** and **Eli Lilly & Co.**

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