

| US Economy and Credit Markets | | | |
|-------------------------------|------------------|-----------------------------------|-------------------|
| Yields and Weekly Changes: | | | |
| 3 Mo. T-Bill: | 2.417 (unch.) | GNMA (30 Yr) 6% Coupon: | 107-27/32 (3.52%) |
| 6 Mo. T-Bill: | 2.431 (-1.7 bps) | Duration: | 3.81 years |
| 1 Yr. T-Bill: | 2.362 (-3.0 bps) | Bond Buyer 40 Yield: | 3.76 (-4 bps) |
| 2 Yr. T-Note: | 2.266 (-6.7 bps) | Crude Oil Futures: | 61.66 (-0.28) |
| 3 Yr. T-Note: | 2.231 (-6.9 bps) | Gold Spot: | 1,286.05 (6.94) |
| 5 Yr. T-Note: | 2.263 (-6.0 bps) | Merrill Lynch High Yield Indices: | |
| 10 Yr. T-Note: | 2.467 (-5.8 bps) | U.S. High Yield: | 6.68 (15 bps) |
| 30 Yr. T-Bond: | 2.887 (-3.2 bps) | BB: | 5.17 (12 bps) |
| | | B: | 7.07 (15 bps) |

Yields fell last week on softer-than-expected inflation data and an escalation in trade tensions between the U.S. and China, with the yield on the U.S. 10-year Treasury ending the week below 2.50%. On Friday, the U.S. increased tariffs on \$200 billion of Chinese goods to 25%, and the political uncertainty added to demand for Treasuries. Concerns that trade tensions between the world's two largest economies could slow economic growth also weighed on yields. Meanwhile, the Consumer Price Index came in slightly below expectations, rising 0.3% over the prior month. Core consumer prices, which exclude food and energy, also came in below expectations. The muted inflation data seemingly reinforced the market's view that the Fed won't raise rates this year, with the market-implied probability of a rate hike holding steady at 0% and the probability of cut rising from 50% at the end of last week to about 60% at the end of this week. Major economic reports (related consensus forecasts, prior data) for the upcoming week include: Wednesday: May 10 MBA Mortgage Applications (N/A, 2.7%), April Retail Sales Advance MoM (0.2%, 1.6%), April Industrial Production MoM (0.0%, -0.1%), May Empire Manufacturing (8.0, 10.1); Thursday: May 11 Initial Jobless Claims (220k, 228k), April Housing Starts (1,210k, 1,139k); Friday: May Preliminary U. of Mich. Sentiment (97.5, 97.2), April Leading Index (0.2%, 0.4%).

| US Equities | | | |
|---------------------------|--------------------|--------------------------|-----------------------------------|
| Weekly Index Performance: | | Market Indicators: | |
| DJIA: | 25,942.37 (-1.95%) | Strong Sectors: | Cons Staples, Energy, Utilities |
| S&P 500: | 2,881.40 (-2.10%) | Weak Sectors: | Info Tech, Materials, Industrials |
| S&P Midcap: | 1,933.43 (-2.36%) | NYSE Advance/Decline: | 1,003 / 2,050 |
| S&P Smallcap: | 964.29 (-2.50%) | NYSE New Highs/New Lows: | 244/ 135 |
| NASDAQ Comp: | 7,916.94 (-2.96%) | AAll Bulls/Bears: | 43.1% / 23.2% |
| Russell 2000: | 1,572.99 (-2.52%) | | |

The S&P 500 posted its biggest one-week price drop of the year as trade talks between the U.S. and China remained at the forefront of traders' minds. On Friday, tariffs increased to 25% on \$200 billion of Chinese goods, which many investors fear will escalate a trade war and lead to slower economic growth. In other economic news, inflation data came in below expectations, furthering the case for the Federal Reserve to remain dovish. With over 90% of the S&P 500 names reporting for the quarter, earnings are set to grow marginally year-over-year as energy, semi-conductors and technology hardware and equipment weighed on results. In stock news, **Uber Technologies** closed below its IPO price of \$45 and competitor **Lyft Inc.** fell to its lowest price since beginning trading at the end of March as investors have become wary of the large losses both ride hailing companies currently report. **AIG** reported strong operating results as a turnaround in the property & casualty unit takes hold. Despite beating estimates, **The Trade Desk Inc.** fell sharply after reporting results as a high-valuation coupled with concerns over data privacy that could lead to worse ad matching hurt sentiment. **Trip Advisor's** shares plunged following disappointing revenue guidance due to weakness in hotel volume. Looking to the future, near term market movements are likely to be driven by sentiment over the trade dispute between the U.S. and China. **Wal-Mart Inc.** and **Cisco Systems Inc.**, two of the last bellwethers, are set to report results as earnings season wraps up. Looking longer-term, the S&P 500 is reasonably priced at 17.4x 2019 EPS, but will likely need strong earnings growth to continue to push higher.

The information presented is not intended to constitute an investment recommendation for, or advice to, any specific person. By providing this information, First Trust is not undertaking to give advice in any fiduciary capacity within the meaning of ERISA, the Internal Revenue Code or any other regulatory framework. Financial advisors are responsible for evaluating investment risks independently and for exercising independent judgment in determining whether investments are appropriate for their clients.