First Trust

Weekly Market Commentary

Week Ended June 7, 2019

US Economy and Credit Markets

Yields and Weekly Changes:

3 Mo. T-Bill:	2.267 (-7.3 bps)	GNMA (30 Yr) 6% Coupon:	106-09/32 (3.97%)
6 Mo. T-Bill:	2.141 (-20.3 bps)	Duration:	3.69 years
1 Yr. T-Bill:	1.969 (-23.1 bps)	Bond Buyer 40 Yield:	3.70 (-1 bps)
2 Yr. T-Note:	1.849 (-7.3 bps)	Crude Oil Futures:	53.99 (+0.49)
3 Yr. T-Note:	1.817 (-5.6 bps)	Gold Spot:	1,340.86 (+35.28)
5 Yr. T-Note:	1.853 (-5.8 bps)	Merrill Lynch High Yield Indices:	
10 Yr. T-Note:	2.081 (-4.4 bps)	U.S. High Yield:	6.74 (-20 bps)
30 Yr. T-Bond:	2.572 (0.3 bps)	BB:	5.11 (-20 bps)
		B:	7.21 (-20 bps)

U.S. Treasury prices continued to rise last week as tariffs and weak headline economic data raised concerns about the economy. Treasury bond yields fell on Monday as fears of an economic slowdown ratcheted up after President Donald Trump launched a second tariff front, this time on Mexico. On Tuesday, Treasury bond yields attempted a comeback as Federal Reserve Chairman Jerome Powell and other Fed officials cooled concerns over the United States slowing economy. Fed Chairman Powell asserted that the Fed will “act as appropriate to sustain the expansion.” Treasury bond prices finished the week higher with Treasury bond yields dropping on Friday as investors reacted to the U.S. jobs report. Nonfarm payrolls rose 75,000 in May, missing the consensus expected 175,000. Underlying data consisted of the unemployment rate remaining unchanged, productivity up 2.4% this year, and average hourly earnings up 0.2% in May and 3.1% versus a year ago. The weak headline jobs data coupled with the Federal Reserve’s comments earlier in the week elevated expectations for rate cuts this year. Major economic reports (related consensus forecasts, prior data) for the upcoming week include: Tuesday: May PPI Final Demand MoM (0.1%, 0.2%), May PPI Final Demand YoY (1.9%, 2.2%); Wednesday: June 7 MBA Mortgage Applications (n/a, 1.5%), May CPI MoM (0.1%, 0.3%), May CPI YoY (1.9%, 2.0%), May Monthly Budget Statement (n/a, $160.3b), Thursday: May Import Price Index MoM (-0.3%, 0.2%), June 8 Initial Jobless Claims (215k, 218k); Friday: May Retail Sales Advance MoM (0.7%, -0.2%), May Industrial Production MoM (0.2%, -0.5%), June Preliminary University of Michigan Sentiment (98.0, 100.0).

US Equities

Weekly Index Performance:			Market Indicators:	
DJIA:	25,983.94	(4.77%)	Strong Sectors:	Materials, Information Tech, Consumer Staples
S&P 500:	2,873.34	(4.46%)		
S&P Midcap:	1,892.00	(4.54%)	Weak Sectors:	Communication Services, Real Estate, Utilities
S&P Smallcap:	919.89	(3.54%)		
NASDAQ Comp:	7,742.10	(3.91%)	NYSE Advance/Decline:	1,218 / 1,827
Russell 2000:	1,514.39	(3.36%)	NYSE New Highs/New Lows:	265 / 236
			AAII Bulls/Bears:	22.5% / 42.6%

Last week, the S&P 500 returned just under 4.5% for its best week this year. Materials led the index with over a 9% return. The sector moved higher with precious metals gold and silver coming off levels not seen since last winter. **DuPont de Nemours, Sherwin-Williams,** and **International Flavors & Fragrances** were the top performing stocks in the Materials sector. Investors have been battling with how to take the good and bad news. On Friday, the U.S. labor market report showed job creation trailed estimates in May. The negative jobs news caused stocks to rally due to the possible increased willingness of the Federal Reserve to cut interest rates later this year. Optimism over a looser monetary policy coupled with concern over trade will keep investor sentiment more balanced and cautions. The positive sentiment in stocks is offset by a more pessimistic view in bonds. On the trade front, President Trump is still going after both China and Mexico. The Mexico deal looked to unraveling earlier in the week, but his tweet stream provided contradicting updates ending with the President seeing a “good chance” of a deal with our southern neighbors. The implications of the Mexico deal are still cloudy after some companies looked to the country as a safe haven from the impending tariffs with China. On the calendar next week, PPI, CPI, and mortgage applications will give investors new data points to structure their outlook.