First Trust

Weekly Market Commentary

Week Ended September 18th, 2020

US Economy and Credit Markets

Yields and Weekly Changes:

3 Mo. T-Bill:	0.081 (-2.3 bps)	GNMA (30 Yr) 6% Coupon:	109-24/32 (3.00%)
6 Mo. T-Bill:	0.107 (-0.8 bps)	Duration:	3.71 years
1 Yr. T-Bill:	0.117 (-1.3 bps)	Bond Buyer 40 Yield:	3.57 (-1 bp)
2 Yr. T-Note:	0.139 (0.2 bps)	Crude Oil Futures:	41.11 (3.78)
3 Yr. T-Note:	0.162 (0.3 bps)	Gold Spot:	1,950.86 (10.31)
5 Yr. T-Note:	0.282 (1.8 bps)	Merrill Lynch High Yield Indices:	
10 Yr. T-Note:	0.694 (2.1 bps)	U.S. High Yield:	5.90 (-5 bps)
30 Yr. T-Bond:	1.453 (4.2 bps)	BB:	4.49 (unch.)
		B:	6.14 (-3 bps)

The Federal Reserve's meeting from last week was noteworthy for the Committee's resolving that it "aim(s) to achieve inflation moderately above 2 percent for some time so that inflation averages 2 percent over time…" In accordance with this they maintained the currently accommodative stance with a target range for the federal funds rate at 0 to ¼ percent. The Committee observed that significantly lower oil prices and weak overall demand are keeping down consumer price inflation. They also saw overall financial conditions improving in recent months. August Industrial Production was reported increasing 0.4% last Monday which underwhelmed versus expectations but was the fourth consecutive month of expansion. August Retail Sales were seen increasing 0.6% last Tuesday and were up 2.6% versus a year ago. However, with the $600 weekly unemployment benefit from the federal government running out at the end of July, expectations going forward should be moderated. Wrapping up major reports from last week, it was noted that August Housing Starts declined but that the University of Michigan's preliminary report on U.S. consumer sentiment shot up to a six-month high with only 16% of respondents saying they expect a worse economy one year from now. Major economic reports (related consensus forecasts, prior data) for the upcoming week include Tuesday: August Existing Home Sales (6.01m, 5.86m); Wednesday: September 18 MBA Mortgage Applications (N/A, -2.5%), September preliminary Markit US Manufacturing PMI (53.1, unch.); Thursday: September 19 Initial Jobless Claims (840k, 860k), August New Home Sales (890k, 901k); Friday: August preliminary Durable Goods Orders (1.1%, 11.4%).

US Equities

Weekly Index Performance:		Market Indicators:	
DJIA:	27,657.42 (-0.01%)	Strong Sectors:	Energy, Industrials, Materials
S&P 500:	3,319.47 (-0.60%)		
S&P Midcap:	1,865.86 (+0.64%)	Weak Sectors:	Cons Disc, Comm Services, Cons Staples
S&P Smallcap:	870.57 (+1.04%)		
NASDAQ Comp:	10,793.28 (-0.54%)	NYSE Advance/Decline:	1,438 / 1,546
Russell 2000:	1,536.78 (+2.68%)	NYSE New Highs/New Lows:	36 / 39
		AAII Bulls/Bears:	32.0% / 40.4%

Declines in mega-cap technology shares led stocks lower for the third consecutive week, capping another week of heightened volatility as the market searches for leadership. Despite the lack of a new stimulus package from Congress and the Federal Reserve calling the economic outlook "highly uncertain", investors have started to rotate into more cyclical areas of the market over the last few weeks at the expense of technology shares. Economic data continues to improve but at a slower pace. Industrial production increased by 0.4% in August versus 3% last month and retail sales improved by 0.6% versus 1.2% in the last reading. As a sign of the times, shares of **Snowflake Inc**. surged over 100% above its initial public offering price and closed the week with a market capitalization close to $66 billion. The cloud data warehouse vendor made history as the biggest initial public offering for a software name. Despite a strong beat and good guidance, shares of **Adobe Inc.** fell as investors took profits. Shares of **FedEx Corp**. surged following a strong quarter as E-commerce drove revenue higher by 36%. In addition, margins improved due to increased volume, lower fuel costs and package surcharges. Looking ahead, market volatility is likely to remain elevated as we come closer to the election and vaccine trial data is released. Both are likely to drive binary outcomes. In our view, a well-diversified portfolio that is spread across sectors, stocks and styles is prudent during the current uncertainty.

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