First Trust

Weekly Market Commentary

Week Ended March 5, 2021

US Economy and Credit Markets

Yields and Weekly Changes:

3 Mo. T-Bill:	0.025 (-0.8 bps)	GNMA (30 Yr) 6% Coupon:	110-14 3/4/32 (3.00%)
6 Mo. T-Bill:	0.048 (0.3 bps)	Duration:	3.76 years
1 Yr. T-Bill:	0.074 (0.8 bps)	Bond Buyer 40 Yield:	3.55 (0 bps)
2 Yr. T-Note:	0.137 (1.0 bps)	Crude Oil Futures:	66.09 (+4.59)
3 Yr. T-Note:	0.307 (3.0 bps)	Gold Spot:	1,700.64 (-33.40)
5 Yr. T-Note:	0.798 (6.7 bps)	Merrill Lynch High Yield Indices:	
10 Yr. T-Note:	1.566 (16.1 bps)	U.S. High Yield:	4.97 (11 bps)
30 Yr. T-Bond:	2.297 (14.6 bps)	BB:	3.95 (6 bps)
		B:	5.38 (14 bps)

U.S. Treasury bond yields increased across the yield curve last week, with larger gains at the long end of the curve. Last week the 10-year treasury bond yield hit its highest intraday level in a year as the bond selloff continued. In a speech on Thursday, Federal Reserve Chairman Jerome Powell largely stuck to the script and remained dovish on bond yields but mentioned bond yields have caught his eye. Treasury yields spiked in response to the Chairman's comments. Investors digested a batch of positive jobs data at the end of the week as the labor market continues to recover. Nonfarm payrolls increased 379,000 in February, which was 179,000 higher than the expectation. The large increase in nonfarm payrolls was due to a surge in the leisure and hospitality sector. Unemployment dropped to 6.2%, a 0.1% drop from January. Average hourly earnings rose 0.2% last month as well. Major economic reports (related consensus forecasts, prior data) for the upcoming week include Monday: January Final Wholesale Inventories MoM (1.3%, 1.3%); Tuesday: February NFIB Small Business Optimism 96.8, 95.0); Wednesday: March 5 MBA Mortgage Applications (n/a, 0.5%), February CPI MoM (0.4%, 0.3%), February CPI YoY (1.7%, 1.4%), February Monthly Budget Statement (-$305.0b, -$162.8b); Thursday: March 6 Initial Jobless Claims (725k, 745k), February 27 Continuing Claims (4197k, 4295k); Friday: February PPI Final Demand MoM (0.4%, 1.3%), February Final Demand YoY (2.7%, 1.7%), March Preliminary University of Michigan Sentiment (78.0, 76.8)

US Equities

Weekly Index Performance:		Market Indicators:	
DJIA:	31,496.30 (1.85%)	Strong Sectors:	Energy, Financials, Industrials
S&P 500:	3,841.94 (0.84%)		
S&P Midcap:	2,512.92 (0.69%)	Weak Sectors:	Info Tech, Real Estate, Cons. Discretionary
S&P Smallcap:	1,302.12 (1.86%)		
NASDAQ Comp:	12,920.15 (-2.05%)	NYSE Advance/Decline:	2,048 / 1,291
Russell 2000:	2,192.21 (-0.39%)	NYSE New Highs/New Lows:	583 / 212
		AAII Bulls/Bears:	40.3% / 25.3%

Equity markets were choppy last week but ended generally in positive territory. The S&P 500 returned 0.84% for the week as there was a rotation from higher valuation names towards lower valuation names. Equites ground down to start the week on news of growing 10-year treasury yields, which increases discount rates and tends to push higher valuation names lower because much of their expected cash flows are further in the future. Higher yields was a driver behind the S&P 500 Growth Index returning -1.15% last week, while the S&P 500 Value Index returned 3%. Democrats appeared to reach a deal on passing a $1.9t stimulus package which sent stocks higher and closed the week mostly positive. From a sector perspective, Energy and Financials, which tend to have lower valuations, were the top performing sectors and Information Technology, which tends to have higher valuations, was the worst performing sector. On Friday, Energy names rallied as oil prices closed the week at $66.09, the highest closing since November 2018. OPEC surprised oil markets by deciding not to increase output, keeping the supply low as demand has been growing in places that are reopening from COVID restrictions. Earnings season is winding down but there were still a few notable announcements. **Broadcom Inc.**, a mega cap semiconductor producer, announced 4Q profitability ahead of street estimates and initiated 1Q sales guidance above estimates. They credited their great quarter to content gains in their wireless businesses and continued success in their main networking business. **Target Corp.** announced quarterly results that were disappointing leading to a -5.90% return last week. The big box retailer beat quarterly earnings estimates but issued margin guidance that was worrisome to market participants and was the main driver for their negative return last week. Looking ahead to next week, eyes will continue to be on Congress and the odds of them passing the $1.9t stimulus package. While this is likely to fuel short term returns in equities, it remains to be seen how much it will fuel longer term inflation concerns. Equities remain a terrific vehicle to hold during inflationary periods. We remain constructive on equities, particularly lower valuation names as inflation concerns might warrant higher valuation names to continue rerating lower.