First Trust

Weekly Market Commentary

Week Ended April 16th, 2021

US Economy and Credit Markets			
Yields and Weekly Changes:			
3 Mo. T-Bill:	0.010 (0.3 bps)	GNMA (30 Yr) 6% Coupon:	112-06 1/4/32 (2.46%)
6 Mo. T-Bill:	0.035 (0.5 bps)	Duration:	3.99 years
1 Yr. T-Bill:	0.056 (unch.)	Bond Buyer 40 Yield:	3.46 (-3 bps)
2 Yr. T-Note:	0.161 (0.6 bps)	Crude Oil Futures:	63.13 (3.81)
3 Yr. T-Note:	0.341 (0.8 bps)	Gold Spot:	1,776.51 (32.63)
5 Yr. T-Note:	0.831 (-3.2 bps)	Merrill Lynch High Yield Indices:	
10 Yr. T-Note:	1.580 (-7.9 bps)	U.S. High Yield:	4.74 (-5 bps)
30 Yr. T-Bond:	2.265 (-6.4 bps)	BB:	3.77 (-5 bps)
		B:	5.13 (-5 bps)

Treasury yields dropped moderately amongst longer term yields over the course of the week despite higher inflation numbers and strong economic reports. On Tuesday, the Consumer Price Index rose 0.6%, which was the largest monthly surge since 2012, beating analyst expectations of 0.5%. However, Treasury yields dropped moderately on Tuesday as many bond investors were already pricing in significant inflation, resulting in strong demand for an auction of 30-year Treasurys. On Thursday, Retail Sales rose 9.8%, compared to analyst expectations of 5.0%, but bond investors looked past this report again as yields dropped. Federal Reserve Chairman Jerome Powell said that tapering of asset purchases would come “well before” an increase in interest rates, suggesting that accommodative policies from the Fed would remain for a while. Initial Jobless Claims were 576k, which was well below analyst expectations of 700k, though continuing claims remained flat. President Biden also announced retaliatory measures against Russia for election interference and cyberattacks. Oil prices rose 6.4% as the strong economic reports led to a higher forecast in global oil demand. Major economic reports (related consensus forecasts, prior data) for the upcoming week include Wednesday: April 16 MBA Mortgage Applications (n/a, -3.7%); Thursday: April 17 Initial Jobless Claims (625k, 576k), March Leading Index (0.8%, 0.2%), March Existing Home Sales (6.20m, 6.22m); Friday: April Preliminary Markit US Manufacturing PMI (60.5, 59.1), March New Home Sales (885k, 775k).

US Equities				
Weekly Index Performance:			Market Indicators:	
DJIA:	34,200.67	(+1.18%)	Strong Sectors:	Utilities, Materials, Health Care
S&P 500:	4,185.47	(+1.39%)		
S&P Midcap:	2,721.08	(+1.91%)	Weak Sectors:	Comm Services, Energy, Industrials
S&P Smallcap:	1,347.95	(+1.02%)		
NASDAQ Comp:	14,052.34	(+1.10%)	NYSE Advance/Decline:	2,049 / 1,362
Russell 2000:	2,262.67	(+0.86%)	NYSE New Highs/New Lows:	721 / 60
			AAII Bulls/Bears:	53.8% / 24.6%

The S&P 500 finished the week at all-time highs as retail sales surged and unemployment claims were the lowest on record since the pandemic began. Growth is also inflecting higher internationally with China reporting 18.3% GDP growth in the first quarter. The money center banks unofficially kicked off earnings season with strong results due to loan loss releases, strong investment banking and trading results. However, loan growth remains tepid for banks and **Morgan Stanley** was the latest victim in the Archegos Capital Management saga, resulting in a suspected $911 million credit and market loss. In other corporate news, shares of **J.B. Hunt Transport Services, Inc.** and **PPG Industries, Inc.** rose after beating on both the top and bottom lines due to strong demand. **Taiwan Semiconductor Manufacturing Co.** warned the chip shortage could last into 2022, leading the world’s largest chip manufacturer to again increase capital expenditure and growth guidance. Many auto manufactures have paused production due to the chip shortage in recent weeks. The hot initial public offering market continued with **Coinbase Global, Inc.**, an exchange for cryptocurrencies, gaining over 36% from the offer price. However, shares finished lower on the week from the opening trade. For the week ahead, a bevy of firms will report results likely showing the continued recovery of the U.S. economy. Investors will also closely monitor commentary from the CDC over the paused Johnson & Johnson vaccine. With continued monetary and fiscal support coupled with a strong consumer ready to spend, equities could continue to touch new highs in the coming months.