First Trust

Weekly Market Commentary

Week Ended January 21, 2022

US Economy and Credit Markets			
Yields and Weekly Changes:			
3 Mo. T-Bill:	0.160 (4.8 bps)	Bond Buyer 40 Yield:	3.53 (2 bps)
6 Mo. T-Bill:	0.348 (6.6 bps)	Crude Oil Futures:	85.15 (+1.32)
1 Yr. T-Bill:	0.547 (7.1 bps)	Gold Spot:	1,835.38 (+17.44)
2 Yr. T-Note:	1.001 (3.5 bps)	Merrill Lynch High Yield Indices:	
3 Yr. T-Note:	1.286 (2.0 bps)	U.S. High Yield:	5.20 (13 bps)
5 Yr. T-Note:	1.557 (-0.1 bps)	BB:	4.25 (15 bps)
10 Yr. T-Note:	1.758 (-2.6 bps)	B:	5.58 (10 bps)
30 Yr. T-Bond:	2.071 (-5.1 bps)		

Treasury yields were mixed over the course of the week as the yield curve flattened with shorter duration yields rising moderately and longer duration yields falling moderately. Treasury yields rose significantly on Tuesday as traders priced in some risk that the Federal Reserve may raise rates by 50 basis points in March. The market implied probability of a rate hike for the March meeting increased from 91.5% last week to 99.6% on Tuesday, and settled at 98.6% on Friday. Treasury yields then dropped significantly the rest of the week as there was a significant sell-off in the equity market causing investors to seek the perceived safety of Treasurys. However, yields for shorter duration Treasurys either rose slightly or did not fall as much during the equity sell-off as the 2-year Treasury yield hit a 52-week high on Thursday. Investors took a more risk-off approach as the initial jobless claims exceeded expectations of 225k and were at a 3-month high of 286k. Major economic reports (related consensus forecasts, prior data) for the upcoming week include: Monday: January Prelim. Markit US Manufacturing PMI (56.7, 57.7); Tuesday: January Conf. Board Consumer Confidence (111.8, 115.8); Wednesday: January 21 MBA Mortgage Applications (n/a, 2.3%), December Prelim. Wholesale Inventories MoM (1.4%, 1.4%), December New Home Sales (765k, 744k), January 26 FOMC Rate Decision Upper Bound (0.25%, 0.25%); Thursday: January 22 Initial Jobless Claims (260k, 286k), December Prelim. Durable Goods Orders (-0.5%, 2.6%), 4th Quarter Advance GDP Annualized QoQ (5.3%, 2.3%); Friday: December Personal Income (0.5%, 0.4%), December Personal Spending (-0.6%, 0.6%), January Final U. of Michigan Sentiment (68.8, 68.8).

US Equities			
Weekly Index Performance:		**Market Indicators:**	
DJIA:	34,265.37 (-4.55%)	Strong Sectors:	Utilities, Cons. Staples, Real Estate
S&P 500:	4,397.94 (-5.67%)		
S&P Midcap:	2,594.49 (-6.76%)	Weak Sectors:	Financials, Comm. Services, Cons. Discretionary
S&P Smallcap:	1,282.27 (-7.63%)		
NASDAQ Comp:	13,768.92 (-7.55%)	NYSE Advance/Decline:	339 / 3,263
Russell 2000:	1,987.92 (-8.07%)	NYSE New Highs/New Lows:	150 / 651
		AAII Bulls/Bears:	21.0% / 46.7%

Last week was a white-knuckle trading week. Equities plummeted as the Nasdaq 100 entered correction territory closing Friday down 11.51% for the year. The S&P 500 is off 8.25% from its early January highs. Last week, concerning inflation and corporate profits accelerated an overall risk off posture by investors. We saw flows from cyclical sectors communication services, financials, and consumer discretionary, towards lower beta sectors like utilities, consumer staples and real estate. Early week headlines that **Microsoft Inc.** entered into agreement to buy video game maker **Activision Blizzard Inc.** for nearly $68b, or $95 in cash per share drove shares 24.41% higher last week. Activision shares closed Friday at $81.35, or 16.78% discount from the takeout price, as worries of an FTC review drove concerns that such a large acquisition might not be approved. Naturally, **Take Two Entertainment** and **EA Sports Inc.**, two other video game producing companies, were the 2nd and 3rd top performing names in the S&P 500 index, returning 7.98% and 6.57% respectively on expectations that their content is now more valuable. Earnings season started to ramp up last week. The biggest headlines were driven by **Netflix Inc.** whose shares fell 24.39% after they guided 1Q22 subscriber growth of only 2.5m when analysts expected 6.3m. CEO Reed Hastings stated that competition in the streaming industry has become a headwind for subscriber growth. Netflix's competition statements reverberated through the industry as streaming rivals **Discovery Inc.** and **ViacomCBS Inc.** returned -16.00% and -15.13% respectively. Next week earnings season will accelerate as 108 names in the S&P 500 are expected to report quarterly results. Noteworthy names expected to report include **Apple Inc.**, **Microsoft Corp.**, **Tesla Inc.**, **Visa Inc.**, **Johnson & Johnson**, **Mastercard Inc.**, **Chevron Corp.**, **Comcast Corp.** and **Verizon Communications Inc.**