

US Economy and Credit Markets			
Yields and Weekly Changes:			
3 Mo. T-Bill:	4.263 (1.6 bps)	Bond Buyer 40 Yield:	4.53 (unch.)
6 Mo. T-Bill:	4.717 (8.8 bps)	Crude Oil Futures:	71.02 (-8.96)
1 Yr. T-Bill:	4.676 (4.8 bps)	Gold Spot:	1,797.32 (-0.31)
2 Yr. T-Note:	4.344 (7.3 bps)	Merrill Lynch High Yield Indices:	
3 Yr. T-Note:	4.101 (12.4 bps)	US High Yield:	8.57 (+6 bps)
5 Yr. T-Note:	3.769 (11.7 bps)	BB:	6.93 (unch.)
10 Yr. T-Note:	3.578 (9.2 bps)	B:	8.89 (+13 bps)
30 Yr. T-Bond:	3.559 (1.1 bps)		

Treasury yields rose moderately over the course of the week, except for the 30-year Treasury, which remained flat, on mixed economic signals. On Monday, Factory orders, durable goods orders and the ISM services index all were higher than analyst expectations, along with news that China may be easing covid restrictions. Treasury yields rose significantly in the short- and mid-term, but only moderately in the long-term. Yields then dropped dramatically on Tuesday and Wednesday on fears of a recession caused by rate hikes and a dramatic slump in oil prices. Strong labor reports, especially within the service sector, have led investors to speculate that additional rate hikes may be required in 2023. On Thursday and Friday, yields rebounded significantly after the U.S. producer price index rose 0.3% for November, compared to expectations of 0.2%, showing investors that inflation may still be running hot. The market implied probability of a 50-basis-point increase from the Federal Reserve at the December 14th meeting remain about the same, but the implied rate by the end of 2023 increased 10-basis-points. Oil ended the week down 11%. Major economic reports (related consensus forecasts, prior data) for the upcoming week include Tuesday: November CPI MoM (0.3%, 0.4%), November CPI YoY (7.3%, 7.7%); Wednesday: December 9 MBA Mortgage Applications (n/a, -1.9%), December 14 FOMC Rate Decision Upper Bound (4.50%, 4.00%); Thursday: December Empire Manufacturing (-0.8, 4.5), November Retail Sales Advance MoM (-0.1%, 1.3%), December 10 Initial Jobless Claims (234k, 230k), November Industrial Production MoM (0.1%, -0.1%); Friday: December Prelim. S&P Global US Manufacturing PMI (47.8, 47.7).

S Equities			
Weekly Index Performance:		Market Indicators:	
DJIA:	33,476.46 (-2.74%)	Strong Sectors:	Utilities, Health Care,
S&P 500:	3,934.38 (-3.35%)		Real Estate
S&P Midcap:	2,469.58 (-4.02%)	Weak Sectors:	Energy, Cons Discretionary,
S&P Smallcap:	1,186.62 (-4.7%)		Communications Services
NASDAQ Comp:	11,004.62 (-3.98%)	NYSE Advance/Decline:	1,712/1,426
Russell 2000:	1,796.66 (-5.06%)	NYSE New Highs/New Lows:	89/44
		AAll Bulls/Bears:	24.7%/41.8%

The S&P 500 Index lost over 3% last week, particularly driven by poor sessions on Monday and Tuesday, in the worst trading week since September. The market digested China's updated response to COVID-19 as early in the week the restrictions appeared to be tight but gradually loosened during the week. PPI numbers on Friday surprised to the upside which will further incentivize the Fed to stay hawkish on raising rates to combat inflation as they meet next week to decide their next rate move. The University of Michigan Sentiment Index is on an upward trajectory again, reading 59.1 which beat estimates of 57.0. The worst performing sector in the S&P 500 this week was Energy which was affected by geopolitical forces. Early in the week the price of oil was up on sentiment that a Chinese recovery could take place under looser COVID-19 restrictions but that was quickly washed away as news appeared that the U.S. and Western allies will collude to cap the price they pay on Russian oil. Although the price cap was not at a level that would currently restrict the spot price, the spot price of oil still dropped 10% during the week amidst uncertainty over the Russian response. The best performing sector in the S&P 500 this week was Utilities which were led by Evergy, Inc. (**EVERG**, +6.7%), the best performer in the entire index. Several defense stocks were upgraded after the House of Representatives approved a new record Department of Defense budget of \$858B, a moderated \$45B higher than the initial budget recommended by the Biden administration. The United States' main priorities are increased support to Taiwan and Ukraine as they are threatened by invasion from their neighbors. In other company news, the FTC is suing Microsoft, Inc. (**MSFT**, -3.8%) in an attempt to increase the cost and disincentivize the acquisition of Activision Blizzard, Inc. (**ATVI**, -0.8%). ATVI currently trades at a 26% discount to the initial offer price. Next week investors will be watching on Tuesday for the November CPI numbers and how they might affect the Fed's next rate decision along with earnings results from legacy software companies Adobe, Inc. and Oracle, Inc. as well as homebuilders D.R. Horton, Inc. and Lennar Corporation.

The information presented is not intended to constitute an investment recommendation for, or advice to, any specific person. By providing this information, First Trust is not undertaking to give advice in any fiduciary capacity within the meaning of ERISA, the Internal Revenue Code or any other regulatory framework. Financial professionals are responsible for evaluating investment risks independently and for exercising independent judgment in determining whether investments are appropriate for their clients.