

US Economy and Credit Markets

Yields and Weekly Changes:

3 Mo. T-Bill:	4.486 (-5.1 bps)	Bond Buyer 40 Yield:	4.23 (-7 bps)
6 Mo. T-Bill:	4.439 (-4.8 bps)	Crude Oil Futures:	68.00 (-3.24)
1 Yr. T-Bill:	4.279 (-12.4 bps)	Gold Spot:	2,643.15 (-73.04)
2 Yr. T-Note:	4.151 (-22.2 bps)	Merrill Lynch High Yield Indices:	
3 Yr. T-Note:	4.090 (-22.1 bps)	US High Yield:	7.36 (-7 bps)
5 Yr. T-Note:	4.048 (-24.7 bps)	BB:	6.25 (-9 bps)
10 Yr. T-Note:	4.169 (-23.2 bps)	B:	7.47 (-7 bps)
30 Yr. T-Bond:	4.360 (-22.8 bps)		

Treasury yields dropped significantly across all maturity levels over the course of the week as investors weighed appointments and trade policies from the incoming Trump administration. Yields dropped significantly on Monday as President-Elect Donald Trump's pick for Treasury secretary, Scott Bessent, was viewed as someone who would soften Trump's use of tariff policy. Bessent is a former hedge fund manager that investors believe will bring a Wall Street perspective to the administration, as he has called for a gradual approach to implementing trade restrictions. He also signaled his priority to enact Trump's tax cut policies. Yield dropped significantly again on Friday as investors continued to speculate that the tariff policies would be used more as a threat and had less of a chance to be widely implemented to significant effect. Overall, this had an effect of investors believing that the Federal Reserve would cut rates slightly more aggressively than before. The market implied probability of cut to the Fed Funds Rate by the Fed at the December 18th meeting increased from 53% to 66% over the course of the week, while the market implied rate for the end of 2025 dropped from 3.93 to 3.45. Major economic reports (related consensus forecasts, prior data) for the upcoming week include Monday: November Final S&P Global US Manufacturing PMI (48.8, 48.80, November ISM Manufacturing (47.6, 46.5); Wednesday: November 29 MBA Mortgage Applications (n/a, 6.3%), November ADP Employment Change (165k, 233k), October Factory Orders (0.3%, -0.5%), November ISM Services Index (55.5, 56.0), October Final Durable Goods Orders (n/a, 0.2%); Thursday: October trade Balance (-\$75.0b, -\$84.4b), November 30 Initial Jobless Claims (n/a, 213k); Friday: November Change in Nonfarm Payrolls (200k, 12k), November Unemployment Rate (4.2%, 4.1%), December Prelim. U. of Mich. Sentiment (73.0, 71.8).

US Equities

Weekly Index Performance:

Market Indicators:

The Dow®	44,910.65 (1.44%)	Strong Sectors:	Cons. Discretionary, Health Care
S&P 500®	6,032.38 (1.08%)		Real Estate
S&P MidCap 400®	3,366.18 (0.76%)	Weak Sectors:	Materials, Info Tech
S&P SmallCap 600®	1,532.61 (1.05%)		Energy
Nasdaq Composite®	19,218.17 (1.14%)	NYSE Advance/Decline:	1,932 / 916
Russell 2000®	2,434.77 (1.19%)	NYSE New Highs/New Lows:	453 / 68
		AAll Bulls/Bears:	37.1% / 38.6%

The S&P 500 returned 1.08% last week on broad market strength across sectors; only the Energy sector finished the week with a negative return. The top sector was the Consumer Discretionary sector which returned 2.36%. Broadline Retail mega-cap **Amazon.com Inc.** rose over 5% on the week amidst discussions of its in-house AI chip strategy, an attempt to break its dependence on companies like **NVIDIA Corp.** The year-to-date laggard Health Care sector performed well last week; GLP-1 producer **Eli Lilly & Co.** rebounded from a recent pullback after competitor **Amgen** announced results for their own weight loss drug MariTide, which failed to impress the market. Biden administration also proposed that Medicare and Medicaid should cover anti-obesity drugs like **Eli Lilly's** Ozempic, though the policy of the incoming Trump administration remains to be seen. The Information Technology sector was hindered by the performance of the Semiconductors industry. Solar names within the industry such as **Enphase Energy** and **First Solar** performed well after the U.S. House discussed suspending the 45X manufacturing production tax credits and excluding Chinese competitors in the solar arena from tax credits, who currently benefit by building their production facilities in the U.S. However, the performance of chip giant **NVIDIA Corp.** weighed on the semiconductor space as investors digested the future tariff landscape. Additionally, **NVIDIA's** customer **Dell Technologies Inc.** missed on analysts' revenue expectations for the firm in **Dell's** 3Q24 earnings release. The Energy sector fell along with declining oil prices over the week. In other news, tariff tensions increased after President-Elect Donald Trump proposed changes to the United States–Mexico–Canada Agreement, saying he would put a 25% tariff on all imports from Canada and Mexico after excoriating those countries for their role in facilitating illegal immigration and drugs like fentanyl into the U.S. The personal consumption expenditure price index, the Federal Reserve's favored inflation measure, came in at a 2.5% inflation rate for the past 12 months. Core inflation was higher at 2.8%. Both were above the Fed's target of an annual rate of 2%. Upcoming this week there will be plenty of news for investors to digest; on the economic front ISM data, non-farm payrolls, the unemployment rate, wage growth, the labor force participation rate, and consumer sentiment will be announced. On the earnings front, 13 members of the S&P 500 are expected to report quarterly results, including software names **Salesforce Inc.** and **Synopsis Inc.**, grocer **Kroger Co.**, and apparel brand **Lululemon Athletica Inc.**

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