

US Economy and Credit Markets

Yields and Weekly Changes:

3 Mo. T-Bill:	4.318 (-0.3 bps)	Bond Buyer 40 Yield:	4.52 (19 bps)
6 Mo. T-Bill:	4.291 (-2.3 bps)	Crude Oil Futures:	69.46 (-1.83)
1 Yr. T-Bill:	4.244 (1.6 bps)	Gold Spot:	2,622.91 (-25.32)
2 Yr. T-Note:	4.310 (6.5 bps)	Merrill Lynch High Yield Indices:	
3 Yr. T-Note:	4.313 (9.2 bps)	US High Yield:	7.59 (20 bps)
5 Yr. T-Note:	4.375 (12.5 bps)	BB:	6.53 (20 bps)
10 Yr. T-Note:	4.522 (12.6 bps)	B:	7.64 (20 bps)
30 Yr. T-Bond:	4.720 (11.9 bps)		

The Fed cut rates by a quarter point last week, as expected, but signaled plans to slow rate cuts next year amid worries that inflation progress has stalled above the Fed's 2% target. Treasury yields surged following the announcement, which was seen as more hawkish than expected. Cleveland Fed President Beth Hammack voted against the cut, saying she would prefer to keep rates steady until there is more progress in cooling inflation. The median Fed official now sees 2.5% inflation by the end of 2025, up from 2.1% in September. Since the Fed started cutting rates in September, the labor market has proven resilient, with the unemployment rate at 4.2%, but inflation has been sticky. For example, the latest reading of the core CPI remains well above the Fed's 2% target at 3.3%. On Friday, the Fed's preferred inflation measure, the PCE price index, came in lower than expected at 2.4% in November. From the prior month, PCE prices rose a modest 0.1%, offering some relief from the Treasury selloff on Wednesday. Core prices, which exclude food and energy, rose 2.8% in November from a year ago. While that marks an improvement from last year's 3.2% pace, recent progress has stalled. Other economic data released last week showed that third quarter annualized GDP growth was revised from 2.8% to 3.1% on strong consumer spending. Major economic reports (related consensus forecasts, prior data) for the upcoming week include Monday: December Conf. Board Consumer Confidence (113.0, 111.7), November Preliminary Durable Goods Orders (-0.3%, 0.3%), November New Home Sales (665k, 610k); Thursday: December 21 Initial Jobless Claims (222k, 220k).

US Equities

Weekly Index Performance:

Market Indicators:

The Dow®	42,840.26 (-2.23%)	Strong Sectors:	Info Tech, Utilities, Financials
S&P 500®	5,930.85 (-1.97%)	Weak Sectors:	Energy, Real Estate, Materials
S&P MidCap 400®	3,124.28 (-4.64%)		
S&P SmallCap 600®	1,416.89 (-4.79%)		
Nasdaq Composite®	19,572.60 (-1.77%)	NYSE Advance/Decline:	241/ 2,471
Russell 2000®	2,242.37 (-4.43%)	NYSE New Highs/New Lows:	124/ 377
		AAll Bulls/Bears:	40.7% / 31.4%

The S&P 500 fell 1.97% last week experiencing its worst day since August on Wednesday in response to the Fed's hawkish decision. The index trimmed losses at the end of the week as Friday's economic data helped reinforce the notion that inflation is continuing to subside. While the index trimmed losses all sectors still finished the week in the red. The best performing sector in the S&P 500 was the Information Technology sector which finished the week down 72 basis points. The best performing constituent in the sector was **Jabil Inc** which returned 7.30% after it reported earnings results last Wednesday. The electronic manufacturer beat estimates on both the top and bottom line in addition to raising full year guidance. The company pointed to strength in Cloud, Data Center Infrastructure, and Digital Commerce end markets driving the strong results. While the Information Technology sector outperformed relative to other sectors it still experienced volatility. **Micron Technology** was one of the worst performing stocks in the sector falling 12.08% following its earnings release last Wednesday. The largest US maker of computer-memory chips had revenue in line with expectations and beat on the bottom line but sales outlook for next quarter came in about 12% lower than consensus estimates. The company called out strong demand for components used in artificial intelligence computing but still sees weak demand from the phone and PC end markets. The worst performing sector in the S&P 500 was the Energy sector which fell 5.57%, oil prices remained under pressure last week as the Fed indicated a slower rate cutting cycle which strengthened the dollar. Weakness was broad based in the sector as no companies finished the week with a positive return. The sector has also experienced weakness recently as Chinese economic data hasn't been supportive of a rebound in activity. In other news, the top performing security in the S&P 500 last week was **Darden Restaurants Inc** which returned 12.54% following its earnings call last Thursday. The restaurant company beat on the top and bottom line with results being lifted by higher than expected same store sales growth driven by its Olive Garden and LongHorn Steakhouse locations. Overall management sounded optimistic on the call with CEO Rick Cardenas saying, "it looks like the consumer is starting to feel a little bit better than they were in prior quarters." Upcoming this shortened trading week, due to the Christmas Holiday, there only be a few data points for investors to parse. Notable releases include Preliminary Durable Goods Orders for November, New Home Sales, and Consumer Confidence data.

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.