

US Economy and Credit Markets			
Yields and Weekly Changes:			
3 Mo. T-Bill:	4.328 (4.4 bps)	Bond Buyer 40 Yield:	4.40 (-5 bps)
6 Mo. T-Bill:	4.327 (2.9 bps)	Crude Oil Futures:	71.00 (-1.53)
1 Yr. T-Bill:	4.222 (7.3 bps)	Gold Spot:	2,861.07 (+62.66)
2 Yr. T-Note:	4.289 (9.2 bps)	Merrill Lynch High Yield Indices:	
3 Yr. T-Note:	4.312 (7.4 bps)	U.S. High Yield:	7.43 (-1 bps)
5 Yr. T-Note:	4.349 (2.1 bps)	BB:	6.33 (-2 bps)
10 Yr. T-Note:	4.495 (-4.4 bps)	B:	7.54 (+3 bps)
30 Yr. T-Bond:	4.693 (-9.4 bps)		

Treasury yields fluctuated throughout the week, with short-duration finishing higher and long-duration finishing lower. The ISM Manufacturing Index rose to 50.9 in January, surpassing the consensus expected 50.0 and marking the first expansionary reading since October 2022. The increase was driven by strong demand and improved employment data, as the employment index jumped to 50.3 from 45.4. Yields fell sharply across the board on Wednesday, with the five, ten, and thirty-year benchmark dropping at least 10 basis points throughout the day. Shorter-dated yields declined less, as mixed economic signals and the threat of tariffs from U.S. President Trump on major trading partners may keep Fed rate cuts on hold. The trade deficit in goods and services came in at \$98.4 billion in December, larger than the consensus expected \$96.8 billion. Compared to the same month last year, the monthly trade deficit was \$33.5 billion larger; after adjusting for inflation, the “real” trade deficit in goods was \$28.0 billion larger than a year ago. The ISM Services Index fell to 52.8 in January, missing consensus expectations, as both production and demand lost momentum. The decline was driven by slower growth in business activity and new orders. Nonfarm payrolls for January increased by 143k, falling well short of the consensus estimate of 175k. While job additions were below expectations, the report also contained encouraging data. The unemployment rate decreased, and wage growth surpassed forecasts, leading to an uptick in Treasury yields on Friday. Major economic reports (related consensus forecasts, prior data) for the upcoming week include: Wednesday: February 7th MBA Mortgage Applications (N/A, 2.2%), January CPI MoM (0.3%, 0.4%), January CPI YoY (2.9%, 2.9%); Thursday: January PPI Final Demand MoM (0.3%, 0.2%), February 8th Initial Jobless Claims (217K, 219K); Friday: January Retail Sales Advance MoM (-0.1%, 0.4%), January Industrial Production MoM (0.3%, 0.9%).

US Equities			
Weekly Index Performance:		Market Indicators:	
The Dow®	44,303.40 (-0.54%)	Strong Sectors:	Consumer Staples., Real Estate, Energy
S&P 500®	6,025.99 (-0.23%)	Weak Sectors:	Consumer Discretionary, Comm Services, Industrials
S&P MidCap 400®	3,206.60 (-0.99%)		
S&P SmallCap 600®	1,431.31 (-1.15%)		
Nasdaq Composite®	19,523.40 (-0.53%)	NYSE Advance/Decline:	1,443 / 1,394
Russell 2000®	2,279.71 (-0.33%)	NYSE New Highs/New Lows:	204 / 166
		AAll Bulls/Bears:	33.3% / 42.9%

The S&P 500 closed lower by 0.23% last week after three consecutive mid-week daily gains. The tech-heavy Nasdaq index fell 0.53%, while the small-cap Russell 2000 fell by 0.33%. **Palantir** Technologies wowed investors last week as the stock climbed over 30% following stellar earnings and upbeat commentary on the company’s position in the artificial intelligence revolution. The company’s software is used by a variety of companies, including mining giant **Rio Tinto** and industrial conglomerate **3M Co.** On the downside, tech giant **Alphabet**, the parent company of Google and YouTube, lost almost 9% last week after the company released disappointing revenue tied to AI-focused cloud computing. The company is committed to investing \$100 billion in AI-focused cloud, but warned of capacity constraints on the path toward reaching its goals. On Friday, stocks sold off as economic data showed a drop in consumer sentiment, with concerns stemming from inflation, tariffs, and a moderating labor market. Rising prices only add to the speculation that the Federal Reserve will keep rates steady soon. Investors will have another round of inflation and employment data to digest before the Fed’s next scheduled meeting in March. One constant throughout equity markets continues to be the volatility that has taken shape. Stocks have swung more than one-half of a percent 16 of the first 25 trading days of the year. Looking ahead to next week, 77 companies in the S&P 500 are set to report quarterly results. Investors will look to names including **Coca-Cola**, **Cisco**, and **McDonald’s** for a clearer picture of the state of both technology and the consumer. Economic releases will include CPI, PPI, retail sales, and import and export prices.

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