

US Economy and Credit Markets			
Yields and Weekly Changes:			
3 Mo. T-Bill:	4.237 (-2.8 bps)	Bond Buyer 40 Yield:	5.04 (-2 bps)
6 Mo. T-Bill:	4.116 (1.8 bps)	Crude Oil Futures:	63.88 (-3.45)
1 Yr. T-Bill:	3.923 (8.1 bps)	Gold Spot:	3,397.75 (34.27)
2 Yr. T-Note:	3.762 (8.1 bps)	Merrill Lynch High Yield Indices:	
3 Yr. T-Note:	3.731 (7.6 bps)	US High Yield:	7.29 (-10 bps)
5 Yr. T-Note:	3.831 (7.4 bps)	BB:	6.13 (-8 bps)
10 Yr. T-Note:	4.283 (6.7 bps)	B:	7.53 (-10 bps)
30 Yr. T-Bond:	4.849 (2.7 bps)		

Treasury yields rose moderately over the course of the week as investors returned to a risk-on approach for equities amid strong earnings, despite lackluster economic reports and trade uncertainty. Early in the week, the July ISM Services Index reading came in lower than the previous month and below expectations, while ISM Services Prices Paid were higher than expected, leading to a challenging situation for the Federal Reserve Bank to cut interest rates. However, this was overshadowed by strong corporate earnings, leading investors to buy equities and require a higher rate of return from bond yields. Trade uncertainty rose in the middle of the week as President Trump said he would increase tariffs on countries buying energy from Russia, along with tariffs on semiconductors and pharmaceuticals. However, this concern was reduced on Thursday as it was confirmed by Russia that Trump and Russian President Vladimir Putin would meet for summit talks in the next few days. Yields continued a slight increase to end the week as Trump announced that there would be no tariffs on semiconductors for companies using them in production within the United States. The market implied probability of a cut to the Federal Funds Rate at the September 17<sup>th</sup> meeting increased from 87% to 89%, over the course of the week. However, the implied end of year rate rose from 3.71 to 3.75, as investors expectations for rate cuts at the October and December meetings dropped slightly. Oil dropped 5% over the course of the week on optimism of an eventual of an end to the conflict in Ukraine. Major economic reports (related consensus forecasts, prior data) for the upcoming week include: Tuesday: July CPI MoM (0.2%, 0.3%), CPI YoY (2.8%, 2.7%); Wednesday: August 8 MBA Mortgage Applications (n/a, 3.1%); Thursday: July PPI Final Demand MoM (0.2%, 0.0%), August 9 Initial Jobless Claims (n/a, 226k); Friday: July Retail Sales Advance MoM (0.5%, 0.6%), August Empire Manufacturing (-1.0, 5.5), July Industrial Production MoM (0.0%, 0.3%), August Prelim. U. of Mich. Sentiment (62.1, 61.7).

US Equities			
Weekly Index Performance:		Market Indicators:	
DJIA:	44,175.61 (1.37%)	Strong Sectors:	Info. Tech., Cons. Discretionary, Comm. Services
S&P 500:	6,389.45 (2.44%)	Weak Sectors:	Real Estate, Health Care, Energy
S&P Midcap:	3,124.04 (0.65%)	NYSE Advance/Decline:	1,881 / 941
S&P Smallcap:	1,352.05 (2.23%)	NYSE New Highs/New Lows:	233 / 130
NASDAQ Comp:	21,450.02 (3.88%)	AAL Bulls/Bears:	34.9% / 43.2%
Russell 2000:	2,218.42 (2.41%)		

Last week was a strong rebound after a sell-off the previous week. All the major indexes were positive, highlighted by the S&P 500's return of 2.44%. Tariffs and trade were a significant theme last week as President Trump started to name sector-specific tariffs on goods like semiconductors and gold. However, by week's end, some clarifications were added to the tariff talks and markets returned to all-time highs. Corporate earnings season continued, with 139 of the S&P 500 companies reporting quarterly results last week. So far this earnings season, 80.7% of the companies have beaten expectations with a median EPS surprise of 4.5%. **Idexx Laboratories Inc.**, a health care equipment provider, had the highest return in the S&P 500 last week, rallying 22.9%. The surge in stock price followed the company's report of better-than-expected quarterly results and the raising of its full-year profit and revenue guidance, which was fueled by improved international integration and record instrument placements. **Arista Networks Inc.** announced quarterly results that sent the stock up 18.4%. The market responded positively to the company's earnings and revenue, which beat analyst expectations, with AI data center demand fueling their networking solutions business. Not all earnings reports were positive; **Fortinet Inc.** tumbled -23.6% after announcing weak quarterly results and slashing its full-year guidance. Concerns of a slowing firewall software refresh cycle, a key to the company's growth, drove shares lower. **Apple Inc.** had its best week since July 2020, rallying 13.3% after an announcement of a \$100 billion investment in U.S. manufacturing, which helped the company avoid some tariff risk from the Trump administration. Earnings season is winding down, but there are still a few names in the S&P 500 expected to report next week, including **Cisco Systems Inc.**, **Applied Materials Inc.**, and **Deere & Co.**

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