

US Economy and Credit Markets			
Yields and Weekly Changes:			
3 Mo. T-Bill:	3.612 (-1.1 bps)	Bond Buyer 40 Yield:	4.78 (-1 bps)
6 Mo. T-Bill:	3.601 (2.9 bps)	Crude Oil Futures:	57.32 (0.58)
1 Yr. T-Bill:	3.467 (-1.2 bps)	Gold Spot:	4,332.29 (-200.92)
2 Yr. T-Note:	3.473 (-0.6 bps)	Merrill Lynch High Yield Indices:	
3 Yr. T-Note:	3.547 (1.7 bps)	US High Yield:	7.08 (2 bps)
5 Yr. T-Note:	3.743 (4.7 bps)	BB:	5.95 (6 bps)
10 Yr. T-Note:	4.191 (6.3 bps)	B:	7.37 (9 bps)
30 Yr. T-Bond:	4.870 (5.6 bps)		

Treasury yields ended the holiday-shortened week mixed, as shorter-duration yields were mostly lower while longer-duration yields edged higher. Initial jobless claims fell to 199,000 for the week ending December 27, a 16,000 decrease from the previous week's revised level of 215,000. Gold prices fell sharply after ending last week at an all-time high, breaking a three-week winning streak. Despite the decline, gold was one of the best-performing assets in 2025 and posted its best annual performance since 1979. Oil futures finished the week higher despite falling the last three days of the week. Concerns about an oversupply of oil have been partially contained by geopolitical risks, as the Russia-Ukraine war continues, and tensions rise in the Middle East. Major economic reports (related consensus forecasts, prior data) for the upcoming week include Monday: December ISM Manufacturing (48.4, 48.2); Wednesday: January 2 MBA Mortgage Applications (n/a, n/a), December ADP Employment Change (48k, -32k), December ISM Services Index (52.3, 52.6), October Factory Orders (-1.1%, 0.2%), October Final Durable Goods Orders (-2.2%, -2.2%); Thursday: January 3 Initial Jobless Claims (211k, 199k), October Trade Balance (-\$58.8b, -\$52.8b), October Final Wholesale Inventories MoM (0.2%, 0.5%); Friday: December Change in Nonfarm Payrolls (59k, 64k), December Unemployment Rate (4.5%, 4.6%), October Housing Starts (1325k, n/a), January Preliminary University of Michigan Consumer Sentiment (53.5, 52.9).

US Equities			
Weekly Index Performance:		Market Indicators:	
DJIA:	48,382.39 (-0.66%)	Strong Sectors:	Energy, Utilities, Industrials
S&P 500:	6,858.47 (-1.01%)	Weak Sectors:	Financials, Info. Tech., Cons. Discretionary
S&P Midcap:	3,349.39 (-0.65%)	NYSE Advance/Decline:	1,217 / 1,586
S&P Smallcap:	1,482.35 (-1.36%)	NYSE New Highs/New Lows:	136 / 86
NASDAQ Comp:	23,235.63 (-1.50%)	AAll Bulls/Bears:	42.0% / 27.0%
Russell 2000:	2,508.22 (-0.98%)		

Equities declined last week heading into the year-end. The S&P 500 index posted a 17.9% return for 2025, while the S&P 400 index saw a 7.5% return and the S&P 600 a 6.0% return. The last time the S&P 400 or S&P 600 bested the S&P 500's performance was in 2022, a period when valuations were high for the S&P 500 and interest rates were being hiked to tame inflation. Previously, the last time Mid or Small-Caps beat Large-Caps was in 2016, when the S&P 500 returned 12.0%, the S&P 400 returned 20.7%, and the S&P 600 returned 26.5%. The worst-performing stock in the S&P 500 last week was **Tesla Inc.**, which returned -7.8% after announcing lower-than-expected fourth-quarter deliveries; this shift pushed Chinese EV manufacturer **BYD** into the position of the world's top seller of electric vehicles. Conversely, memory chip maker **Micron Technology Inc.** was the top stock in the S&P 500, rallying 10.8% as demand remains robust for memory chips in the age of AI. On Friday, furniture distributors **Wayfair Inc.** and **Restoration Hardware** both rallied over 4% after President Trump announced delays in tariff hikes on upholstered furniture. A true end of an era occurred on Wednesday when the now-former CEO of Berkshire Hathaway Inc., Warren Buffett, stepped down as CEO in a yearlong transition to the new CEO, Greg Abel. Buffett will remain Chairman of the Board but stated he would no longer write the shareholder letters or speak at the annual meetings, noting he will be "going quiet." Mr. Buffett became CEO of Berkshire in 1970 and, at age 95, has earned his "retirement"—though he stated he will still be in the office five days a week. Looking ahead to 2026, stock valuations and economic strength will continue to drive market returns. As long as corporate profits remain resilient and strong, we remain constructive on equities.

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