

## US Economy and Credit Markets

### Yields and Weekly Changes:

3 Mo. T-Bill:	3.656 (-1.8 bps)	Bond Buyer 40 Yield:	4.65 (-7 bps)
6 Mo. T-Bill:	3.616 (-0.8 bps)	Crude Oil Futures:	67.02 (0.63)
1 Yr. T-Bill:	3.475 (-3.1 bps)	Gold Spot:	5,278.93 (171.48)
2 Yr. T-Note:	3.375 (-10.3 bps)	Merrill Lynch High Yield Indices:	
3 Yr. T-Note:	3.377 (-12.0 bps)	US High Yield:	7.16 (11 bps)
5 Yr. T-Note:	3.502 (-14.5 bps)	BB:	5.92 (6 bps)
10 Yr. T-Note:	3.937 (-14.6 bps)	B:	7.54 (14 bps)
30 Yr. T-Bond:	4.611 (-11.2 bps)		

Treasury yields declined across the board, with longer-duration yields falling more than shorter-duration yields. The 10-year Treasury note fell below 4% for the first time since November as geopolitical tensions, tariff uncertainty, and fears of AI disruption have triggered a flight-to-quality. Following the Supreme Court's decision last week to strike down President Trump's tariff program, he signed an executive order imposing a new 10% global tariff on most imported goods, which took effect on Tuesday. On Friday, President Trump said that he was "not happy" with the progress of negotiations with Iran over its nuclear program, though no decision has been made on whether to authorize strikes. President Trump has threatened military action if Iran does not reach an agreement and has ordered the largest US military build-up in the Middle East since the invasion of Iraq in 2003. Also on Friday, the January Producer Price Index (PPI) rose 0.5%, beating the consensus expected 0.3%. Despite the outsized monthly reading, producer prices have moderated on a year-ago basis and are up 2.9% versus January 2025. Major economic reports (related consensus forecasts, prior data) for the upcoming week include Monday: February Final S&P Global US Manufacturing PMI (51.4, 51.2), February ISM Manufacturing (51.5, 52.6); Wednesday: February 27 MBA Mortgage Applications (n/a, 0.4%), February ADP Employment Change (50k, 22k), February ISM Services Index (53.5, 53.8); Thursday: February 28 Initial Jobless Claims (215k, 212k); Friday: January Retail Sales Advance MoM (-0.3%, 0.0%), February Change in Nonfarm Payrolls (60k, 130k), February Unemployment Rate (4.3%, 4.3%).

## US Equities

### Weekly Index Performance:

### Market Indicators:

The Dow®	48,977.92 (-1.28%)	Strong Sectors:	Utilities, Cons. Staples
S&P 500®	6,878.88 (-0.42%)		Health Care
S&P MidCap 400®	3,575.27 (-0.85%)	Weak Sectors:	Cons. Discretionary, Financials
S&P SmallCap 600®	1,580.95 (-1.46%)		Info Tech
Nasdaq Composite®	22,668.21 (-0.94%)	NYSE Advance/Decline:	1,223 / 1,594
Russell 2000®	2,632.36 (-1.15%)	NYSE New Highs/New Lows:	446 / 178
		AAll Bulls/Bears:	33.2% / 39.8%

Stocks fell last week with the S&P 500 returning -0.42%. The week began with a market dip as President Trump announced that he would institute a new global 10% tariff in the wake of the Supreme Court's decision that previous tariffs were not valid under the IEEPA, while mentioning a rate as high as 15% is possible. A blizzard snarled the East Coast on Monday, weighing on airlines and other travel companies. Utilities proved to be the best performing sector, led by **Constellation Energy's** 11.88% return after reported earnings impressed analysts. Other defensive sectors consumer staples and health care came in second and third place, respectively. The information technology sector performed worst among sectors, with semiconductor names **NVIDIA** and **Broadcom** being the two most negative individual contributors to the S&P 500's return, returning -6.65% and -3.94%, respectively. **NVIDIA** announced strong earnings that exceeded analyst expectations, but Michael Burry of "Big Short" fame in a blog post on Thursday warned of risks to the chip giant if its non-cancellable purchase orders meet a significant slowdown in the AI industry. The financials sector was the second-worst performer as Citrini Research released a report on Monday outlining potential AI risks to existing jobs and industries that sent payment names such as **American Express** lower (-10.77%); large banks such as **JPMorgan Chase** and **Wells Fargo** fell -3.28% and -8.17%, respectively. Turning to economic news, factory orders for December fell -1.4%, in line with expectations. The FHFA House Price Index for December rose 0.1%, less than the 0.3% expected. Conference Board Consumer Confidence came in at 91.2, higher than the 87.1 level expected. PPI Final Demand came in hotter, 0.5% versus 0.3% expected for January, and 2.9% versus 2.6% expected YoY. This week we expect ISM data, ADP employment change for February, import prices, nonfarm productivity, January retail sales data, and February payroll data, along with February's unemployment rate and labor participation rate. On the earnings front, 14 members of the S&P 500, including **Broadcom**, **Berkshire Hathaway**, **Costco**, and **CrowdStrike**.

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