

US Economy and Credit Markets

Yields and Weekly Changes:

3 Mo. T-Bill:	3.657 (0.1 bps)	Bond Buyer 40 Yield:	4.78 (13 bps)
6 Mo. T-Bill:	3.610 (-0.6 bps)	Crude Oil Futures:	79.08 (13.73)
1 Yr. T-Bill:	3.525 (5.0 bps)	Gold Spot:	5171.74 (-107.19)
2 Yr. T-Note:	3.561 (18.6 bps)	Merrill Lynch High Yield Indices:	
3 Yr. T-Note:	3.590 (21.3 bps)	US High Yield:	7.33 (17 bps)
5 Yr. T-Note:	3.727 (22.5 bps)	BB:	6.12 (20 bps)
10 Yr. T-Note:	4.138 (20.1 bps)	B:	7.72 (18 bps)
30 Yr. T-Bond:	4.757 (14.6 bps)		

Treasury yields climbed sharply this week as surging oil prices, driven by the escalating U.S.–Iran conflict and threats to key Middle Eastern shipping routes, intensified concerns about sustained inflation. Manufacturing activity outperformed expectations again in February, marking a second straight month of growth. Although the ISM Manufacturing Index slipped to 52.4, it remains in expansion territory for the first consecutive stretch since early last year. While last year’s brief uptick warrants some caution, the recent improvement is encouraging for a sector that has faced persistent challenges. However, the elevated price index suggests inflationary pressures remain firm. The service sector showed solid momentum in February, with the ISM Services Index rising to 56.1, its highest level since July 2022 and above all economists’ forecasts surveyed by Bloomberg. Fourteen of the eighteen major service industries reported growth, while three contracted and one was unchanged. Most key activity measures improved and remained above 50, indicating continued expansion. Nonfarm payrolls dropped by 92,000 in February, falling far short of the consensus forecast for a 55,000 increase. After downward revisions totaling 69,000 for December and January, the combined net decline in payrolls, including revisions—amounted to 161,000. Major economic reports (related consensus forecasts, prior data) for the upcoming week include Tuesday: February Existing Home Sales (3.88m, 3.91m); Wednesday: March 6th MBA Mortgage Applications (N/A, 11.0%), February CPI MoM (0.3%, 0.2%); Thursday: January Trade Balance (-\$66.0, -\$70.3b), March 7th Initial Jobless Claims (215k, 213k), January Housing Starts (1340k, 1404k); Friday: January Personal Income (0.5%, 0.3%), January Personal Spending (0.3%, 0.4%), January Preliminary Durable Goods Orders (1.1%, -1.4%), 4Q S GDP Annualized QoQ (1.4%, 1.4%), March Preliminary University of Michigan Sentiment (55.3, 56.6).

US Equities

Weekly Index Performance:

Market Indicators:

The Dow®	47,501.55 (-2.92%)	Strong Sectors:	Energy, Info Tech
S&P 500®	6,740.02 (-1.99%)		Cons. Discretionary
S&P MidCap 400®	3,410.32 (-4.58%)	Weak Sectors:	Health Care, Cons. Staples
S&P SmallCap 600®	1,520.07 (-3.8%)		Materials
Nasdaq Composite®	22,387.68 (-1.22%)	NYSE Advance/Decline:	727 / 2,100
Russell 2000®	2,525.30 (-4.03%)	NYSE New Highs/New Lows:	320 / 160
		AAll Bulls/Bears:	33.1% / 35.5%

Stocks fell last week that began with the US and allies striking Iran, with the S&P 500 falling 1.99%. The energy sector appreciated as worries about Iranian oil supplies benefited domestic producers and was the only positive sector last week, with Brent oil exceeding \$90 a barrel on Friday. The information technology sector performed second best, with software names rising amidst the selloff. After a rough start to the year, software names rebounded after OpenAI announced that it would scale back its plans to incorporate shopping inside ChatGPT, lowering investors’ fears about AI disrupting software and internet names. The materials sector fell the most; geopolitical turmoil sent the dollar higher as investors sought safety, adversely affecting precious metals. The economic ramifications of this new conflict combined with weaker US jobs data sent construction materials industry names lower. Higher energy prices stressed the consumer staples sector, as many operate on thin margins already. Not surprisingly, the passenger airlines industry was also negatively affected by the outbreak of hostilities and was the worst performing industry in the S&P 500. Turning to economic news, we saw ISM Manufacturing for February (52.4 vs. 51.5 expected), ISM Prices Paid (70.5 vs. 60.0 expected), S&P Global US Composite PMI (51.9 vs. 52.3 expected), February nonfarm payrolls (-92k vs. +55k expected), average hourly earnings (0.4% vs. 0.3% expected MoM), the unemployment rate (4.4% vs. 4.3% expected), and retail sales advance MoM (-0.2% vs. -0.3% expected). This week we expect CPI data for February, January trade balances, housing starts, personal income and spending, and JOLTS job data. On the earnings front, 7 members of the S&P 500, including software names **Oracle** and **Adobe**, as well as consumer staples name **Dollar General**.

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