

US Economy and Credit Markets

Yields and Weekly Changes:

3 Mo. T-Bill:	3.679 (0.9 bps)	Bond Buyer 40 Yield:	4.59 (-1 bps)
6 Mo. T-Bill:	3.662 (-3.4 bps)	Crude Oil Futures:	83.85 (-12.72)
1 Yr. T-Bill:	3.626 (-4.8 bps)	Gold Spot:	4,830.34 (80.59)
2 Yr. T-Note:	3.708 (-8.7 bps)	Merrill Lynch High Yield Indices:	
3 Yr. T-Note:	3.724 (-10.1 bps)	US High Yield:	7.15 (-19 bps)
5 Yr. T-Note:	3.847 (-9.6 bps)	BB:	6.03 (-13 bps)
10 Yr. T-Note:	4.248 (-6.9 bps)	B:	7.49 (-20 bps)
30 Yr. T-Bond:	4.884 (-2.5 bps)		

Treasury yields dropped moderately over the course of the week and oil dropped 13% as an apparent end to the conflict between the United States, along with Israel, and Iran came into focus. On Monday, President Trump said that officials in Iran reached out to his administration in pursuit of peace negotiations, causing Treasury yields to drop to start the week. This came despite the U.S. beginning a naval blockade of Iranian vessels in the Strait of Hormuz, effectively ending Iran's ability to support their economy with shipments through the sea. Optimism regarding peace talks continued through the middle of the week, including President Trump saying in an interview that he believes the conflict is "close to over." Though, on Thursday, investors began to worry that the U.S. blockade would cause fighting in the region to continue for some time, but President Trump stated that the prospect for a deal were "looking very good," and that there was a 10-day ceasefire between Israel and Lebanon, that Israeli Prime Minister Netanyahu confirmed. This optimism turned into reality on Friday as Iran declared that the Strait of Hormuz was completely open for commercial traffic, along with President Trump saying that Iran had made key concessions regarding Iran's enriched uranium stockpile. This caused Treasury yields to drop moderately again, while oil dropped 11% on Friday and ended the week down 13%. Meanwhile, the producer price index rose by just 0.5% in March, which was materially below consensus expectations of a 1.1% increase, despite increased energy costs due to the Iran conflict, easing investor concerns about inflation. The market implied probability of an increase or decrease to the Federal Funds Rate remained near 0% but the market implied end of year rate dropped from 3.57 to 3.49 over the course of the week. Major economic reports (related consensus forecasts, prior data) for the upcoming week include: Tuesday: March Advance Retail Sales MoM (1.3%, 0.6%); Wednesday: April 17 MBA Mortgage Applications (n/a, 1.8%); April 18 Initial Jobless Claims (212k, 207k), April Prelim. S&P Global US Manufacturing PMI (52.5, 52.3); Friday: April Final U. of Mich. Sentiment (48.4, 47.6).

US Equities

Weekly Index Performance:

Market Indicators:

The Dow®	49,447.43 (3.19%)	Strong Sectors:	Info Tech, Cons. Discretionary
S&P 500®	7,126.06 (4.55%)		Comm. Services
S&P MidCap 400®	3,646.35 (3.52%)	Weak Sectors:	Materials, Utilities
S&P SmallCap 600®	1,648.19 (4.06%)		Energy
Nasdaq Composite®	24,468.48 (6.84%)	NYSE Advance/Decline:	2,156 / 667
Russell 2000®	2,776.90 (5.57%)	NYSE New Highs/New Lows:	284 / 59
		AAll Bulls/Bears:	31.7% / 42.8%

The S&P 500 rose 4.55% as last week began with President Trump expressing progress in negotiations and ended with the president announcing that the Straits of Hormuz were once again open. Energy sector names retreated as hopes rose that tankers will once again freely transit the strait. Information technology performed best among sectors as software names seemed to break free from the doom and gloom surrounding the industry recently. **Oracle** showed strong future revenue prospects which could mean AI is more of a benefit for software names than previously thought, particularly for those software names related to AI infrastructure. A rosier trade outlook from perhaps deescalating international tensions benefitted the consumer discretionary sector, and **Tesla** moved higher after announcing its new AI chip. Interactive media giants **Meta Platforms** and **Alphabet** moved higher, the former striking a deal with **Broadcom** to develop its specialized AI compute chips while the latter launched AI-powered Google Finance platform while expanding Waymo into Nashville, Tennessee. Rising optimism had money rotating out of more defensive sectors such as utilities. Turning to economic news from last week, existing home sales for March were 3.98m versus the 4.05m expected. March's PPI final demand MoM was 0.50% versus the expected 1.10% and the YoY number was 4% versus 4.6% expected. March import prices were 0.80% MoM, below the 2.30% expected while the YoY figure was 2.10% versus the 4.40% expected. March export prices were 1.60% MoM versus the 1.50% expected while the YoY figure was 5.60% versus the 4.80% expected. This week expect March retail sales, pending home sales, S&P Global PMI data, and University of Michigan sentiment figures. On the earnings front, 94 members of the S&P 500 report, including carmaker **Tesla**, chip name **Intel**, and consumer staples stalwart **Proctor & Gamble**.

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