

## US Economy and Credit Markets

### Yields and Weekly Changes:

3 Mo. T-Bill:	3.698 (-08 bps)	Bond Buyer 40 Yield:	4.63 (1 bps)
6 Mo. T-Bill:	3.792 (0.6 bps)	Crude Oil Futures:	84.88 (-5.66)
1 Yr. T-Bill:	3.844 (0.6 bps)	Gold Spot:	4,219.33 (-109.12)
2 Yr. T-Note:	4.081 (-6.6 bps)	Merrill Lynch High Yield Indices:	
3 Yr. T-Note:	4.131 (-6.9 bps)	US High Yield:	7.38 (-9 bps)
5 Yr. T-Note:	4.206 (-6.2 bps)	BB:	6.24 (-8 bps)
10 Yr. T-Note:	4.479 (-5.1 bps)	B:	7.74 (-10 bps)
30 Yr. T-Bond:	4.966 (-2.9 bps)		

Treasury yields dropped moderately over the course of the week as tensions between the United States and Iran escalated before agreeing to another pause in hostilities. On Tuesday, Iran attacked a U.S. helicopter in the Strait of Hormuz, leading President Trump to say that the U.S. must respond forcefully and investors expressed pessimism that a resolution to the conflict would come soon. President Trump continued attacks and threatened additional attacks on Wednesday, along with scolding Iran for delaying talks so significantly, clouding the hopes of safe shipping in the Strait of Hormuz. However, on Thursday, President Trump announced that a deal with Iran is near and pulled back the military attacks on the country. The President said that discussions “have been brought to the highest level of Iranian leadership” for ending the conflict, and that a signing could take place as early as this weekend in Europe. With optimism that the conflict may soon reach a conclusion and the Strait of Hormuz would allow safe passage again, oil prices dropped significantly on Thursday and Friday to end the week down 6%. The optimism continued on Friday as Pakistan’s Prime Minister Sharif said that a “final, agreed upon text of the peace deal has been reached,” and that they are “finalizing the next steps.” The market implied probability of an increase to the Federal Funds Rate at next week’s meeting of the Federal Reserve Bank stayed near 0%. The expectation is still for nearly a full 0.25 basis-point increase by the end of the year, but the market implied rate for the end of 2026 dropped from 3.88 to 3.82 over the course of the week. Major economic reports (related consensus forecasts, prior data) for the upcoming holiday-shortened week include: Monday: June Empire Manufacturing (13.0, 19.6), May Industrial Production MoM (0.3%, 0.7%); Tuesday: May Housing Starts (1430k, 1465k); Wednesday: June 12 MBA Mortgage Applications (n/a, 10.8%), May Retail Sales Advance MoM (0.5%, 0.5%), June 12 FOMC Rate Decision (Upper Bound) (3.75%, 3.75%); Thursday: June 13 Initial Jobless Claims (225k, 229k), May Leading Index (0.1%, 0.1%).

## US Equities

### Weekly Index Performance:

### Market Indicators:

The Dow®	51,202.26 (0.68%)	Strong Sectors:	Materials, Cons. Staples
S&P 500®	7,431.46 (0.66%)		Financials
S&P MidCap 400®	3,796.32 (2.81%)	Weak Sectors:	Utilities, Energy
S&P SmallCap 600®	1,744.69 (4.33%)		Comm. Services
Nasdaq Composite®	25,888.84 (0.71%)	NYSE Advance/Decline:	1,964 / 872
Russell 2000®	2,943.99 (3.93%)	NYSE New Highs/New Lows:	266 / 197
		AAll Bulls/Bears:	30.4% / 47.7%

The S&P 500 rose 66 basis over a volatile week. Escalating tensions from new strikes on Iran gave way to fresh hopes of peace as details of a possible deal emerged. Headline CPI data showed that energy-led inflation is still a concern for investors, though a soft reading of core CPI versus expectations was a welcome sign. **Space Exploration Technologies** became the largest IPO in history. Among sectors, materials performed best, led by the containers and packaging industry. Consumer staples names rose in the face of renewed market volatility. The financials sector benefits from funding such large IPOs and from the recent rise in yields. Higher yields were a headwind for bond-like utilities names. The energy sector fell as renewed peace talks sent oil prices lower. The communication services sector was dragged down by interactive media giants **Meta Platforms** (-4.39%) and **Alphabet** (the A share fell -2.34%) as AI CapEx spending is becoming an increasing concern for investors. Turning to economic news, existing home sales for May came in at 4.17m (higher than the 4.07m estimate); Imports MoM rose 2.0% in April (1.6% expected) while Exports MoM for April rose 2.6% (2.4% exp.); headline CPI MoM for May rose 0.5% as expected, while Core CPI MoM came in cooler than expected at 0.2% (0.3% exp.); real average hourly earnings YoY registered at -0.7%; PPI final demand MoM for May was 1.1% (0.7% exp.) and was 6.5% YoY (6.4% YoY exp.); and the University of Michigan Sentiment Survey registered a 48.9 figure (46.0 exp.). Expect the following economic data this week: industrial and manufacturing production for May, May’s import and export prices, May housing starts, May retail sales data, and a FOMC rate decision. On the earnings front, only 3 members of the S&P 500 report earnings this week: IT services name **Accenture**, electronic equipment name **Jabil**, and grocery store company **Kroger**.

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