

US Economy and Credit Markets			
Yields and Weekly Changes:			
3 Mo. T-Bill:	3.706 (3.6 bps)	Bond Buyer 40 Yield:	4.62 (-1 bps)
6 Mo. T-Bill:	3.787 (4.6 bps)	Crude Oil Futures:	90.54 (3.18)
1 Yr. T-Bill:	3.838 (7.0 bps)	Gold Spot:	4,328.45 (-211.81)
2 Yr. T-Note:	4.147 (14.3 bps)	Merrill Lynch High Yield Indices:	
3 Yr. T-Note:	4.200 (15.0 bps)	U.S. High Yield:	7.47 (17 bps)
5 Yr. T-Note:	4.267 (12.6 bps)	BB:	6.32 (16 bps)
10 Yr. T-Note:	4.530 (9.5 bps)	B:	7.84 (16 bps)
30 Yr. T-Bond:	4.996 (2.4 bps)		

Treasury yields surged this week following Friday's stronger-than-expected jobs report, which reinforced expectations that the Federal Reserve's next move would be an interest rate hike. Nonfarm payrolls rose 172,000 in May, easily beating the consensus expected gain of 88,000. The largest increases were led by leisure & hospitality, health care & social assistance, construction, and government. Meanwhile, the unemployment rate remained relatively low at 4.3%. With the labor market showing signs of strength and continued inflation risks due to the ongoing conflict in Iran, traders are now pricing in a roughly 40% probability of a rate hike by the December FOMC meeting. Earlier in the week, the ISM Manufacturing Index increased to 54.0 in May, beating the consensus expected 53.0. This marks the fifth consecutive month of expansion as it rose to the fastest pace since 2022. The ISM Non-Manufacturing Index increased to 54.5 in May, beating the consensus expected 53.8. This marks the 23rd straight month of expansion for the index. Overall growth was broad in May, with seventeen out of the eighteen major service industries reporting growth. Major economic reports (related consensus forecasts, prior data) for the upcoming week include: Tuesday: April Trade Balance (-\$56.5b, -\$60.3b), May Existing Home Sales (4.06m, 4.02m), April Final Wholesale Inventories MoM (0.6%, 0.5%); Wednesday: June 5 MBA Mortgage Applications (n/a, -2.5%), May CPI MoM (0.5%, 0.6%), May CPI YoY (4.2%, 3.8%); Thursday: June 6 Initial Jobless Claims (219k, 225k), May PPI Final Demand MoM (0.7%, 1.4%); Friday: June Preliminary University of Michigan Consumer Sentiment (46.0, 44.8).

US Equities			
Weekly Index Performance:		Market Indicators:	
The Dow®	50,866.78 (-0.21%)	Strong Sectors:	Energy, Health Care
S&P 500®	7,383.74 (-2.55%)		Real Estate
S&P MidCap 400®	3,693.56 (-0.82%)	Weak Sectors:	Comm. Services, Info Tech
S&P SmallCap 600®	1,672.89 (-0.66%)		Cons. Discretionary
Nasdaq Composite®	25,709.43 (-4.65%)	NYSE Advance/Decline:	1,085 / 1,745
Russell 2000®	2,833.50 (-2.91%)	NYSE New Highs/New Lows:	285 / 201
		AAll Bulls/Bears:	36.3% / 37%

Stocks traded lower last week with the S&P 500 falling 2.55%, snapping a nine-week winning streak. The tech heavy Nasdaq Composite sank 4.65% as a pullback in AI related stocks in the back half of the week weighed on performance. While the S&P 500 experienced its worst week since April 2025 there were still some positive performers. The Energy sector was the best performing sector, gaining 2.49% last week. Majority of constituents in the sector finished the week with a gain and the best performer was **Marathon Petroleum Corporation**, rallying 5.32%. Energy companies gained early last week as oil prices traded higher as the US and Iran exchanged strikes casting doubts on a peace deal, while oil had a pullback to end last week, prices remained elevated overall. The worst performing sector was the Consumer Discretionary sector which sank 6.11%. The worst performer in the sector was **Ford Motor Company**, which pulled back 14.56% after rallying about 46% in May. As previously mentioned, AI stocks took a breather as inflation worries driven by high oil prices have resulted in higher yields across the curve and bets of an interest rate hike at the next Fed meeting rather than a cut. The Philadelphia Stock Exchange Semiconductor Index fell 4.71% last week, quickly falling on Thursday and Friday after being up over 8% on the week through Wednesday. The worst performing Semiconductor company in the S&P 500 was **Broadcom Incorporated**, which tumbled 13.66%, following its earnings release. The semiconductor company beat on the top and bottom line but offered guidance that fell short of investor expectations. Interesting enough Broadcom saw fiscal 2027 and 2028 revenue revisions go higher following earnings but the softer than expected third quarter AI Chip guide overshadowed upbeat expectations for out years. Some analysts called out the difficult set up for AI companies which have rallied over the last two months. Broadcom rallied nearly 56% from the end of March to June 2nd before its earnings release. This sets up a high bar for these companies and if the release is not perfect it can lead to volatility, inflation and rate worries also contribute to investors' recent nervousness.

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