

US Economy and Credit Markets			
Yields and Weekly Changes:			
3 Mo. T-Bill:	4.333 (-0.3 bps)	Bond Buyer 40 Yield:	4.95 (14 bps)
6 Mo. T-Bill:	4.301 (4.0 bps)	Crude Oil Futures:	61.53 (-0.96)
1 Yr. T-Bill:	4.125 (0.6 bps)	Gold Spot:	3,357.51 (153.86)
2 Yr. T-Note:	3.991 (-0.8 bps)	Merrill Lynch High Yield Indices:	
3 Yr. T-Note:	3.961 (-2.1 bps)	US High Yield:	7.87 (17 bps)
5 Yr. T-Note:	4.081 (-1.2 bps)	BB:	6.52 (13 bps)
10 Yr. T-Note:	4.511 (3.4 bps)	B:	8.12 (18 bps)
30 Yr. T-Bond:	5.037 (9.3 bps)		

Treasury yields were mixed last week as concerns over expansionary fiscal policy, ongoing trade tensions, and sticky inflation have reduced the probability that the Federal Reserve will dramatically cut rates. Earlier in the week the House narrowly passed President Donald Trump's multi-trillion-dollar tax and spending package which he dubbed a "big, beautiful bill". This triggered a fresh bout of bond market turmoil as bond investors continue to demand more compensation to own longer duration Treasuries. The 30-year yield has climbed to over 5% and has reached its highest level since October 2023. In other economic news, existing home sales declined 0.5% in April to a 4.000 million annual rate, falling short of the consensus expected 4.100. Sales remain well below the roughly 5.250 million annual pace that existed pre-COVID as affordability remains the biggest headwind to sales. 30-year mortgage rates have been climbing and are back near 7% while the median price of existing homes is up 1.8% from a year ago. New single-family homes increased 10.9% in April to a 0.743 million annual pace, beating the consensus expected 0.695 million. New home sales surprised to the upside in April and posted the largest monthly gain in nearly two years. Major economic reports (related consensus forecasts, prior data) for the upcoming holiday shortened week include: Tuesday: April Preliminary Durable Goods Orders (-7.8%, 9.2%), May Conference Board Consumer Confidence (87.0, 86.0); Wednesday: May 23 MBA Mortgage Applications (N/A, -5.1%); Thursday: 1Q Second GDP Annualized QoQ (-0.3%, -0.3%), May 24 Initial Jobless Claims (230k, 227k); Friday: April Personal Income (0.3%, 0.5%), April Personal Spending (0.2%, 0.7%), April Preliminary Wholesale Inventories MoM (0.4%, 0.4%), May MNI Chicago PMI (45.1, 44.6), May Final University of Michigan Sentiment (51.0, 50.8).

US Equities			
Weekly Index Performance:		Market Indicators:	
DJIA:	41,603.07 (-2.43%)	Strong Sectors:	Cons. Staples, Comm. Services, Materials
S&P 500:	5,802.82 (-2.58%)	Weak Sectors:	Real Estate, Info. Tech., Energy
S&P Midcap:	2,977.59 (-3.55%)	NYSE Advance/Decline:	545 / 2,278
S&P Smallcap:	1,267.13 (-4.14%)	NYSE New Highs/New Lows:	156 / 97
NASDAQ Comp:	18,737.21 (-2.45%)	AAll Bulls/Bears:	37.7% / 36.7%
Russell 2000:	2,039.85 (-3.45%)		

Last week, U.S. equities declined amid renewed tariff concerns and ongoing economic anxieties stemming from Moody's downgrade of U.S. debt. President Trump's announcement of 50% tariffs on the EU late in the week, attributed to stalled trade negotiations, further exacerbated market jitters. Domestically, U.S. economic data, particularly in the housing sector, continued to underperform, with existing home sales, mortgage applications, and building permits all registering weaker-than-expected results. This backdrop contributed to a rise in longer-dated U.S. bond rates, with the 10-year bond rate increasing by 3 basis points and the 30-year bond rate by 10 basis points, steepening the yield curve and signaling market apprehension about the long-term health of the U.S. economy. In corporate news, **Alphabet Inc.** (Google) outperformed the S&P 500, with shares rising 1.4% after its Google I/O developers conference showcased innovative AI products, including their Gemini app and "AI Mode" to defend their search business. Conversely, **Fair Isaac Corp.** was the worst-performing stock in the S&P 500, plummeting 23% after the Federal Housing Finance Agency (FHFA) raised concerns about FICO's credit score pricing and proposed a change allowing mortgage credit checks to utilize two out of three credit scores instead of the current mandatory three, which would likely reduce demand for FICO scores. Additionally, **Enphase Energy Inc.**, a solar giant, faced headwinds as the GOP's "Big Beautiful Bill" passed the House, proposing to end the Investment Tax Credit (ITC) for residential solar installations, a significant subsidy for the industry. Looking ahead, market attention remains focused on President Trump's tariff plans, with any relief on EU tariffs or new trade deals expected to positively influence equity markets.

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