First Trust

Weekly Market Commentary

Week Ended November 16, 2018

US Economy and Credit Markets

Yields and Weekly Changes:

3 Mo. T-Bill:	2.342 (-0.2 bps)	GNMA (30 Yr.) 6% Coupon:	105-14/32 (4.31%)
6 Mo. T-Bill:	2.496 (-1.8 bps)	Duration:	4.15 years
1 Yr. T-Bill:	2.659 (-6.7 bps)	Bond Buyer 40 Yield:	4.24 (-5 bps)
2 Yr. T-Note:	2.800 (-12.4 bps)	Crude Oil Futures:	56.46 (-3.73)
3 Yr. T-Note:	2.842 (-15.1 bps)	Gold Spot:	1,223.36 (+13.71)
5 Yr. T-Note:	2.878 (-15.7 bps)	Merrill Lynch High Yield Indices:	
10 Yr. T-Note:	3.063 (-11.9 bps)	U.S. High Yield:	7.28 (29 bps)
30 Yr. T-Bond:	3.316 (-6.8 bps)	BB:	5.87 (21 bps)
		B:	7.62 (29 bps)

U.S. Treasury note yields dropped early in the week as investors favored safe haven assets. The bond markets are digesting uncertainty from numerous sources. The Italian government refused to revise their deficit target per the European Commission's request. In the United Kingdom, key Brexit ministers, including Prime Minister May's chief Brexit negotiator, resigned regarding the Prime Minister Theresa May's Brexit plan. Investors question whether the resignations could undermine confidence in Prime Minister May's position. Lastly, in the United States, the Treasury is selling large amounts of U.S. backed debt as the tax cuts have enlarged the Federal deficit. Last week saw a handful of economic data. The Consumer Price Index (CPI) increased 0.3% in October, meeting consensus estimates. The CPI is up 2.5% from a year ago. Real average hourly earnings, which is adjusted for inflation, declined 0.1% in October, but are up 0.7% in the past year. Retail sales grew 0.8% in October, beating expectations. Retail sales rose the most in five months, bouncing back from September's hurricane-related decline. Industrial production rose 0.1% in October, versus the consensus expected gain of 0.2%. Major economic reports (related consensus forecasts, prior data) for the upcoming week include: Tuesday: October Housing Starts (67, 68); Wednesday: November 16 MBA Mortgage Applications (N/A, -3.2%), October Preliminary Durable Goods Orders (-2.6%, 0.7%), November 17 Initial Jobless Claims (215k, 216k), October Existing Home Sales (5.20m, 5.15m), November Final University of Michigan Sentiment (98.3, 98.3); Friday: November Preliminary Markit US Manufacturing PMI (55.8, 55.7).

US Equities

Weekly Index Performance:		Market Indicators:	
DJIA:	25,413.22(-2.15%)	Strong Sectors:	Real Estate, Materials
S&P 500:	2,736.27 (-1.54%)		Utilities
S&P Midcap:	1,865.40 (-0.86%)	Weak Sectors:	Energy, Consumer Discretionary
S&P Smallcap:	961.44 (-1.12%)		Info Tech
NASDAQ Comp:	7,247.87 (-2.09%)	NYSE Advance/Decline:	1,029 / 2,062
Russell 2000:	1,527.53 (-1.38%)	NYSE New Highs/New Lows:	107 / 465
		AAII Bulls/Bears:	35.1% / 28.9%

Equities were on a see-saw last week. The S&P 500 Index was down -2.8% thru Wednesday, only to pare losses and close last week -1.3%. The discretionary and technology sectors were laggards, while real estate and materials were the only positive returning sectors. Brick and mortar retail stocks were hammered after **Nordstrom Inc.** (-22% return) and **Macy's Inc.** (-12% return) announced disappointing earnings results. The worst performing technology stocks last week were **Nvidia Corp.** (-20%) and **NetApp Inc.** (-12%). Nvidia announced quarterly revenue and earnings below market expectations, which caused the stock to plummet on Friday. The advanced computer chip maker pointed to waning crypto-currency demand, which slowed sales and grew inventory. NetApp dropped after revenue was reported on the lower end of expectations. The supplier of flash memory appears to have strong end market demand in every category but government spending fell which management claimed was a timing issue. Oil dipped below $60 for the first time since February. After reaching $76 in early October, the commodity plummeted down to $55 on Tuesday, only to stabilize and trade slightly higher to end the week. Global growth concerns, a strong dollar and continued pumping all have contributed to the price drop. As a result, the S&P 500 Energy Index was one of the poorest performing sectors last at a -1.9% return. The worst performing stock in the S&P 500 Index last week was California utility **PG&E Corp.** (down -36%), which faces significant risks around the potential financial liability from fires in southern California. **Edison International,** another California utility, was also down -11% last week for similar reasons. Both PG&E and Edison did have large gains on Friday, after California Public Utilities Commission officials indicated that it would apply a cap when evaluating fire related expenses. Looking ahead to next week, investors will be focused on housing starts, consumer confidence and durable goods orders for confirmation of continued economic strength.