

Week Ended May 4, 2018

US Economy and Credit Markets			
Yields and Weekly Changes:			
3 Mo. T-Bill:	1.825 (2.3 bps)	GNMA (30 Yr) 6% Coupon:	108-11/32 (3.50%)
6 Mo. T-Bill:	2.022 (1.8 bps)	Duration:	4.00 years
1 Yr. T-Bill:	2.231 (.2 bps)	Bond Buyer 40 Yield:	3.99 (-07 bps)
2 Yr. T-Note:	2.497 (1.3 bps)	Crude Oil Futures:	69.72 (1.62)
3 Yr. T-Note:	2.633 (1.5 bps)	Gold Spot:	1,314.50 (-9.50)
5 Yr. T-Note:	2.784 (-1.7 bps)	Merrill Lynch High Yield Indices:	
10 Yr. T-Note:	2.950 (-0.7 bps)	U.S. High Yield:	6.52 (4 bps)
30 Yr. T-Bond:	3.122 (-0.2 bps)	BB:	5.32 (7 bps)
		B:	6.81 (10 bps)

U.S. Treasuries exhibited weakness last week, especially short dated maturities, amid strong economic data, rising energy prices, larger debt auctions and a Federal Reserve meeting which saw rates left alone. While Wednesday's Federal Reserve meeting saw rates left unchanged, the future implied probabilities are pricing in a nearly 75% chance for an increase in June. Including the June raise, implied probabilities suggest a total of two more raises in 2018 but are still allowing a 37% chance for three raises. Oil closed near \$70/barrel as Venezuela production is in freefall. Because of this, OPEC is exceeding its promised production cuts amid strong global demand outstripping continued strong production from the American Permian basin. On Monday, personal income was seen increasing .3% in March, led by rising wages and an increase in social security benefits, and is up 3.7% from a year before. On Thursday, the trade deficit came in at \$49 billion for March and was \$4.2 billion larger than the prior year. Friday morning pre-market news showed nonfarm payrolls increasing 164K in April. While this fell short of expectations, the U.S. labor market continues to improve. Major economic reports (related consensus forecasts, prior data) for the upcoming week include: Wednesday: May 4 MBA Mortgage Applications (N/A, -2.5%), April CPI final Demand (0.2%, 0.3%) and March final Wholesale Inventories (0.6%, 0.5%) Thursday: May 5 Initial Jobless Claims (219K, 211K); Friday: May preliminary University of Michigan Sentiment (98.4, 98.8).

US Equities			
Weekly Index Performance:		Market Indicators:	
DJIA:	24,262.51 (-0.19%)	Strong Sectors:	Information Technology,
S&P 500:	2,663.42 (-0.21%)		Real Estate, Materials
S&P Midcap:	1,897.45 (0.29%)	Weak Sectors:	Telecom Services,
S&P Smallcap:	958.92 (0.30%)		Health Care, Cons Staples
NASDAQ Comp:	7,209.62 (1.29%)	NYSE Advance/Decline:	1,574 / 1,493
Russell 2000:	1,565.60 (0.62%)	NYSE New Highs/New Lows:	174 / 235
		AAII Bulls/Bears:	28.4% / 30.2%

Equities took a strong leg up last Friday, but it wasn't enough to make up for the declines earlier in the week as the S&P 500 Index returned -0.21%. The index closed the month of April with a gain of 38 basis points after large losses in both March and February. The Federal Open Market Committee met on Tuesday & Wednesday and acknowledged the strengthening labor market, increased economic activity, and strong job gains. The committee left rates unchanged as many investors expected. Two days of trade talks between the US and China were held last week in Beijing in hopes of avoiding a trade war. While Chinese media reported some trade issue agreements, the meetings ended with most trade issues unresolved. In economic news, US Nonfarm Payrolls showed 168K new jobs in April. While this was lower than expected, it was a large increase relative to March. The US unemployment rate dropped to 3.9%, the lowest rate since 2000. US initial jobless claims of 211K were lower than the consensus estimate of 225K and slightly higher than the previous week's 209K. Though inventories increased, crude oil prices were up 2.38% last week closing at \$69.72 per barrel as Middle East tensions attributed to elevated prices. Information technology was the best performing sector last week with strong performances from larger technology companies like **Apple Inc.**, **Mastercard Inc.**, and **NVIDIA Corp.** **Apple Inc.** returned 13.25% last week after the company announced exceeding second quarter earnings expectations, a board approved \$100 billion share repurchase, and a 16% increase in their quarterly dividend. **Qorvo Inc.**, a manufacturer of integrated circuits for communications devices, showed the best performance in the S&P 500 Index with a 17.97% return as some analysts increased their recommendation of the **Apple Inc.** supplier. **ANDEAVOR**, a petroleum refiner and marketer, returned 14.20% last week. The stock jumped on Monday after announcing a definitive merger agreement with **Marathon Petroleum Corp.** More than 80% of companies in S&P 500 Index have already reported earnings for the first quarter and 79% of those have reported beating their estimates.

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