

Week Ended September 21, 2018

US Economy and Credit Markets			
Yields and Weekly Changes:			
3 Mo. T-Bill:	2.163 (2.0 bps)	GNMA (30 Yr) 6% Coupon:	105-29/32 (4.17%)
6 Mo. T-Bill:	2.369 (4.1 bps)	Duration:	4.02 years
1 Yr. T-Bill:	2.564 (1.0 bps)	Bond Buyer 40 Yield:	4.14 (4 bps)
2 Yr. T-Note:	2.800 (2.2 bps)	Crude Oil Futures:	70.78 (1.79)
3 Yr. T-Note:	2.888 (3.4 bps)	Gold Spot:	1,200.04 (5.19)
5 Yr. T-Note:	2.948 (4.5 bps)	Merrill Lynch High Yield Indices:	
10 Yr. T-Note:	3.063 (6.7 bps)	U.S. High Yield:	6.51 (1 bp)
30 Yr. T-Bond:	3.200 (6.9 bps)	BB:	5.33 (3 bps)
		B:	6.77 (unch.)

The yield curve steepened last week, and Treasury yields moved higher across all maturities with the yield on the benchmark U.S. 10-year Treasury rising above 3%. Selling in U.S. government bonds accelerated on Tuesday after President Donald Trump said about \$200 billion of Chinese imports would be taxed at 10% effective September 24, lower than the initial rate expected to be as high as 25%. However, the rate will likely rise to 25% at the end of 2018. New issues of corporate debt also contributed to the selling in Treasury's. In economic data, initial jobless claims were 201,000 for the week ended September 15, which was less than the consensus estimate of 210,000 and 3,000 claims less than the previous week's level. According to the Labor Department, the September 15 level of initial claims is the lowest since November 15, 1969 when it was 197,000. This week, the Federal Open Market meets on Tuesday and Wednesday and is widely expected to raise the target range for the federal funds rate by 25 basis points. Major economic reports (related consensus forecasts, prior data) for the upcoming week include: Tuesday: September Conf. Board Consumer Confidence (132.0, 133.4); Wednesday: September 26 FOMC Rate Decision – Upper Bound (2.25%, 2.00%), September 21 MBA Mortgage Applications (N/A, 1.6%), August New Home Sales (630k, 627k); Thursday: September 22 Initial Jobless Claims (209k, 201k), 2Q GDP Annualized QoQ (4.2%, 4.2%), August Preliminary Durable Goods Orders (1.9%, -1.7%), August Preliminary Wholesale Inventories MoM (0.3%, 0.6%); Friday: September Final U. of Mich. Sentiment (100.5, 100.8), August Personal Income (0.4%, 0.3%), August Personal Spending (0.3%, 0.4%), September Chicago Purchasing Manager (62.0, 63.6).

US Equities			
Weekly Index Performance:		Market Indicators:	
DJIA:	26,743.50 (2.25%)	Strong Sectors:	Materials, Financials
S&P 500:	2,929.67 (0.86%)	Weak Sectors:	Energy
S&P Midcap:	1,975.22 (-0.24%)	NYSE Advance/Decline:	Real Estate, Info Tech
S&P Smallcap:	1,045.81 (-1.09%)	NYSE New Highs/New Lows:	Utilities
NASDAQ Comp:	7,825.98 (-0.28%)	AAll Bulls/Bears:	1,471 / 1,440
Russell 2000:	1,687.08 (-0.53%)		32.0% / 32.0%

Despite the S&P 500 index closing lower on Monday, it finished Thursday at all-time high before dipping slightly lower Friday. Equities were led by the financial and material sectors, both had tailwinds of rising interest rates. Conversely, higher bond yields stunted the real estate and utility sectors, both underperformed the broader market. President Trump decided to move forward with an additional 10% tariff on \$200b worth of Chinese imports starting Monday September 24th. The White House had discussed moving the new tariffs up to 25% but it appears that has been delayed until next year in an effort to get the Chinese back to the negotiating table. **Red Hat Inc.**, an open source software provider, fell over 6.5% after announcing quarterly revenue below expectations, it was the worst performing company in the S&P 500 index last week. The poor quarterly results were likely due to a shift from their legacy on-site infrastructure business, to their main growth driver called OpenShift which had some near-term headwinds. **MGM Resorts International** announced plans to acquire the operations of the Hard Rock Rocksino which buoyed the stock nearly 3% last week. **Under Armor Inc.** announced plans to cut 400 jobs as part of the company's overall restructuring, the announcement rallied their shares over 6% for the week. **ADT Inc.** rallied over 7% after they announced a deal with **Amazon.Com Inc.** to integrate security services with their new Alexa Guard product. **Adobe Systems Inc.** fell over 2% Friday, after equity markets didn't seem to like the company purchasing Marketo from Vista Equity Partners for \$4.75b. Overall economic fundamentals remain strong, corporate profits robust and new highs in sight. The S&P 500 is projected to grow earnings by 5.4% next quarter and 21.8% for 2018.

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