

| US Economy and Credit Markets |                  |                                   |                   |
|-------------------------------|------------------|-----------------------------------|-------------------|
| Yields and Weekly Changes:    |                  |                                   |                   |
| 3 Mo. T-Bill:                 | 2.442 (2.3 bps)  | GNMA (30 Yr) 6% Coupon:           | 104-31/32 (4.50%) |
| 6 Mo. T-Bill:                 | 2.504 (0.8 bps)  | Duration:                         | 3.96 years        |
| 1 Yr. T-Bill:                 | 2.533 (-0.1 bps) | Bond Buyer 40 Yield:              | 4.05 (-01 bps)    |
| 2 Yr. T-Note:                 | 2.493 (-2.1 bps) | Crude Oil Futures:                | 57.26 (1.67)      |
| 3 Yr. T-Note:                 | 2.461 (-2.8 bps) | Gold Spot:                        | 1,329.40 (6.91)   |
| 5 Yr. T-Note:                 | 2.471 (-2.2 bps) | Merrill Lynch High Yield Indices: |                   |
| 10 Yr. T-Note:                | 2.652 (-1.1 bps) | U.S. High Yield:                  | 6.86 (-06 bps)    |
| 30 Yr. T-Bond:                | 3.016 (2.2 bps)  | BB:                               | 5.30 (-04 bps)    |
|                               |                  | B:                                | 7.27 (-08 bps)    |

Treasury prices were relatively unchanged over the course of the week as investors weighed the minutes from the Federal Reserve meeting and kept an eye on U.S.-China trade talks. The Fed minutes on Wednesday showed some disagreement among the officials about rate hikes as some thought increases would be necessary if inflation were higher than forecasted while others thought strong economic activity would be expected. This did not change the expectation of a low chance of a rate hike this year, especially after most officials were in favor of ending the unwinding of the Fed's balance sheet in 2019. Trade talks commenced this week with a report that an outline for a deal was being worked on and that President Trump's stance on the March 1<sup>st</sup> deadline for raising tariffs appeared to soften. Major economic reports (related consensus forecasts, prior data) for the upcoming week include: Monday: December Prelim. Wholesale Inventories MoM (0.3%, 0.3%); Tuesday: December Housing Starts (1250k, 1256k), February Conf. Board Consumer Confidence (124.1, 120.2); Wednesday: February 22 MBA Mortgage Applications (N/A, 3.6%), December Final Wholesale Inventories (0.4%, N/A), December Factory Orders (0.8%, -0.6%), December Final Durable Goods Orders (N/A, 1.2%); Thursday: February 23 Initial Jobless Claims (221k, 216k), 4<sup>th</sup> Quarter GDP QoQ Annualized (2.5%, 3.4%), February Chicago Purchasing Manager (57.8, 56.7); Friday: January Personal Income (0.3%, N/A), December Personal Spending (0.1%, 0.4%), February Final Markit US Manufacturing PMI (53.7, 53.7), February ISM Manufacturing (56.0, 56.6), February Final U. Of Michigan Sentiment (95.8, 95.5).

| US Equities               |                   |                          |  |
|---------------------------|-------------------|--------------------------|--|
| Weekly Index Performance: |                   | Market Indicators:       |  |
| DJIA:                     | 26,031.81 (0.59%) | Strong Sectors:          | Utilities, Materials, Information Technology |
| S&P 500:                  | 2,792.67 (0.65%)  | Weak Sectors:            | Energy, Health Care, Financials              |
| S&P Midcap:               | 1,933.72 (1.05%)  | NYSE Advance/Decline:    | 2,032 / 1,015                                |
| S&P Smallcap:             | 987.29 (1.25%)    | NYSE New Highs/New Lows: | 269 / 25                                     |
| NASDAQ Comp:              | 7,527.55 (0.78%)  | AAII Bulls/Bears:        | 39.3% / 25.4%                                |
| Russell 2000:             | 1,590.06 (1.34%)  |                          |  |

US equity markets were closed last Monday in observation of the federal holiday Presidents' Day. The S&P 500 Index returned 65 basis points for the shortened trading week, adding to the indexes YTD climb of 11.74%. United States President Donald Trump and Chinese Vice Premier Liu He met in Washington last Friday and into the weekend for the ongoing trade talks. President Trump announced that the March 1 deadline for a trade agreement could be extended a month to prevent higher American tariffs from starting. Both the President and the Vice Premier gave optimistic comments on a likely future trade deal. Crude oil prices have continued to climb since late December lows and closed the week at \$57.26 per barrel, increasing 3.00% for the week. In economic news, US initial jobless claims of 216K were much lower than the previous week's 239K and the consensus estimate of 228K. Utilities and materials showed strength last week while energy and health care showed relative weakness. Optimism over positive trade talks and China being a large copper consumer helped copper futures climb to their highest level since July 2018. **Newmont Mining Corp.**, a materials company that produces and markets gold and copper, returned 9.75% last week. The stock saw momentum as the company announced beating fourth quarter earnings expectations and on reports from Friday that the largest gold producer and rival **Barrick Gold** was considering a takeover bid. **Garmin Ltd.**, a consumer electronics manufacturer of GPS-enabled products, was the week's best performing stock in the S&P 500 Index climbing 15.99%. The stock opened higher on Tuesday after the company announced positive fourth quarter earnings results beating expectations and proposed a dividend increase. **The Kraft Heinz Company**, a producer of food products, was the week's worst performing stock in the S&P 500 Index declining 26.61%. The stock opened lower on Friday after releasing disappointing earnings on Thursday night and the announcement of a write down of over \$15 billion of goodwill and intangible assets.

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