First Trust

Market Watch

Week of November 2nd

Stock Index Performance

Index	Week	YTD	12-mo.	2008	5-yr
Dow Jones Industrial Avg. (9713)	-2.60%	13.65%	7.72%	-31.92%	1.95%
S&P 500 (1036)	-4.00%	17.05%	9.81%	-36.99%	0.33%
NASDAQ 100 (1667)	-4.93%	38.39%	25.84%	-41.57%	2.84%
S&P 500/Citigroup Growth	-3.55%	21.80%	16.36%	-34.91%	1.32%
S&P 500/Citigroup Value	-4.50%	12.06%	2.99%	-39.19%	-0.76%
S&P MidCap 400/Citigroup Growth	-6.01%	29.00%	21.89%	-37.58%	3.76%
S&P MidCap 400/Citigroup Value	-5.97%	19.58%	14.53%	-34.78%	2.72%
S&P SmallCap600/Citigroup Growth	-6.02%	15.17%	7.77%	-32.84%	1.80%
S&P SmallCap600/Citigroup Value	-5.61%	10.22%	3.51%	-29.50%	0.81%
MSCI EAFE	-3.83%	27.36%	27.72%	-43.07%	5.09%
MSCI World (ex US)	-4.40%	34.66%	34.10%	-43.26%	7.09%
MSCI World	-4.09%	22.68%	18.42%	-40.39%	2.64%
MSCI Emerging Markets	-5.54%	64.65%	64.13%	-53.49%	16.76%

Source: Bloomberg. Returns are total returns. The ***5-yr. return is an average annual.*** One-week, YTD, 12-mo. and 5-yr. performance returns calculated through 10/30/09.

S&P Sector Performance

Index	Week	YTD	12-mo.	2008	5-yr
Consumer Discretionary	-4.94%	26.41%	20.69%	-33.49%	-2.43%
Consumer Staples	-0.97%	10.77%	8.38%	-15.44%	6.37%
Energy	-4.33%	11.30%	7.68%	-34.89%	10.58%
Financials	-6.88%	14.00%	-7.20%	-55.23%	-10.74%
Health Care	-2.29%	7.28%	6.79%	-22.80%	1.82%
Industrials	-5.21%	9.47%	2.65%	-39.92%	-1.45%
Information Technology	-3.49%	45.57%	31.50%	-43.14%	2.60%
Materials	-7.07%	31.06%	16.42%	-45.64%	3.52%
Telecom Services	-0.08%	-2.26%	5.11%	-30.47%	0.97%
Utilities	-3.49%	1.17%	2.07%	-28.99%	5.33%

Source: Bloomberg. Returns are total returns. The ***5-yr. return is an average annual.*** One-week, YTD, 12-mo. and 5-yr. performance returns calculated through 10/30/09.

Bond Index Performance

Index	Week	YTD	12-mo.	2008	5-yr
U.S. Treasury: Intermediate	0.53%	-0.62%	5.09%	11.35%	4.73%
GNMA 30 Year	0.47%	5.65%	11.48%	7.87%	5.75%
U.S. Aggregate	0.51%	6.24%	13.79%	5.24%	5.05%
U.S. Corporate High Yield	-0.21%	51.65%	48.10%	-26.16%	6.13%
U.S. Corporate Investment Grade	0.69%	17.93%	31.07%	-4.94%	4.52%
Municipal Bond: Long Bond (22+)	-1.21%	22.18%	20.71%	-14.68%	3.90%
Global Aggregate	0.05%	8.35%	18.41%	4.79%	5.70%

Source: Barclays Capital. Returns are total returns. The ***5-yr. return is an average annual.*** One-week, YTD, 12-mo. and 5-yr. performance returns calculated through 10/30/09.

Key Rates

As of 10/30

Fed Funds	0.00-0.25%	5-yr CD	2.96%
LIBOR (1-month)	0.24%	2-yr T-Note	0.89%
CPI - Headline	-1.30%	5-yr T-Note	2.32%
CPI - Core	1.50%	10-yr T-Note	3.39%
Money Market Accts.	1.06%	30-yr T-Bond	4.23%
Money Market Funds	0.05%	30-yr Mortgage	5.16%
6-mo. CD	1.32%	Prime Rate	3.25%
1-yr CD	1.76%	Bond Buyer 40	5.27%

Sources: Bankrate.com, iMoneyNet.com and Bloomberg.

Market Indicators

As of 10/30

TED Spread	21 bps
Investment Grade Spread (A2)	226 bps
ML High Yield Master II Index Spread	761 bps

Sources: Bloomberg and Merrill Lynch via Bloomberg.

Weekly Fund Flows for the Week Ended 10/21/09

Estimated Flows to Long-Term Mutual Funds

	Current Week		Previous	
Domestic Equity	-$1.215	Billion	-$5.283	Billion
Foreign Equity	$2.898	Billion	$1.894	Billion
Taxable Bond	$10.643	Billion	$8.440	Billion
Municipal Bond	$534	Million	$361	Million

Change in Money Market Fund Assets

	Current Week		Previous	
Retail	-$7.40	Billion	-$11.66	Billion
Institutional	$5.13	Billion	-$19.61	Billion

Source: Investment Company Institute

Factoids for the week of October 26th – 30th

Monday, October 26, 2009

The price of a barrel of crude oil closed at $80.50 last Friday, up 18.67% from a year ago and 71.02% higher than on March 9, 2009 (end of bear market). Despite the surge in the price of oil, the S&P Energy Index significantly lagged the S&P 500 from 3/9/09 through 10/23/09. Energy stocks were up 43.79%, compared to a gain of 61.78% for the broader market. Technical analyst Richard Ross, head of global technical strategy for Auerbach Grayson, sees oil trading as high as $103 per barrel within the next nine months, according to *Forbes*. He cites the following five reasons for his bullish call: absence of overhead resistance; momentum; rally in equities will help boost demand for oil; global economic recovery; and potential for further weakness in the dollar.

Tuesday, October 27, 2009

U.S. consumers plan to spend an average of $682.74 on holiday-related shopping this season, down 3.2% from last year's total of $705.01, according to the National Retail Federation's 2009 Holiday Consumer Intentions and Actions Survey. Total spending is expected to reach $437.6 billion. The state of the economy was cited as the primary reason for cutting back. Seventy percent of those surveyed plan to purchase their gifts from discounters, while 42.4% expect to shop via the Internet. The wish list for what adults would like to receive is as follows: gift cards (55.2%); clothing (48.8%); DVDs & books (48.6%); and electronics (33.2%).

Wednesday, October 28, 2009

A report from the Federal Reserve revealed the nation's commercial banks reduced loan balances by more than $400 billion over the past year (TARP was enacted in October 2008), but increased their cash holdings by $500 billion, according to FOXBusiness.com. Commercial banks had $993.4 billion in cash assets as of September 2009, up from $493.0 billion a year ago. Commercial and industrial lending, for example, declined by $217.6 billion, or 12%. The silver lining is that banks are better capitalized moving forward and the recession (Q3 GDP released tomorrow) likely ended in the second quarter.

Thursday, October 29, 2009

Variable annuity sales, which tend to track the performance of the stock market, showed signs of life in the second quarter. Total sales of variable annuities rose from $30.5 billion in Q1'09 to $31.8 billion in Q2'09, but lagged the $41.9 billion posted in Q2'08, according to the Insured Retirement Institute. First-time purchases of variable annuities rose from $5.1 billion in Q1'09 to $6.1 billion in Q2'09. As a result of the poor performance of stocks for the 12-month period ended June 2009 (S&P 500 declined 26.2%), the percentage of annuity assets held in fixed accounts jumped from 19.7% in Q2'08 to 25.0% in Q2'09.

Friday, October 30, 2009

Now that high yield corporate bonds are popular again issuance is spiking, according to *BusinessWeek*. Investors have poured $28 billion into high yield corporate bond funds so far in 2009, more than any full year's take since 1992, according to Lipper. Funds have reported net inflows for nine consecutive weeks. New issuance so far in Q4 has totaled just under $42 billion – nearly eight times the sales of a year ago, according to Dealogic. At the peak of the credit crunch this past March, the Merrill Lynch High Yield Master II Index sported a yield of 20.73%. Its yield as of October 29 was 10.03%.