First Trust

Market Watch

Week of October 25th

Stock Index Performance

Index	Week	YTD	12-mo.	2009	5-yr
Dow Jones Industrial Avg. (11,133)	0.69%	9.10%	13.46%	22.68%	4.48%
S&P 500 (1,183)	0.61%	7.80%	10.46%	26.47%	2.20%
NASDAQ 100 (2,104)	0.31%	13.73%	20.17%	54.63%	6.70%
S&P 500 Growth	0.41%	8.45%	11.97%	31.58%	3.44%
S&P 500 Value	0.81%	7.15%	8.93%	21.17%	0.86%
S&P MidCap 400 Growth	0.60%	17.04%	19.11%	41.23%	6.19%
S&P MidCap 400 Value	0.66%	12.66%	16.65%	33.77%	4.62%
S&P SmallCap 600 Growth	-0.01%	14.63%	18.07%	28.34%	3.98%
S&P SmallCap 600 Value	0.10%	12.32%	15.54%	22.86%	3.09%
MSCI EAFE	-0.45%	5.17%	4.21%	31.78%	3.85%
MSCI World (ex US)	-0.77%	7.41%	7.55%	41.45%	6.21%
MSCI World	-0.02%	6.45%	7.24%	29.99%	3.00%
MSCI Emerging Markets	-1.43%	13.90%	17.44%	78.51%	15.27%

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 10/22/10.

S&P Sector Performance

Index	Week	YTD	12-mo.	2009	5-yr
Consumer Discretionary	0.77%	18.59%	25.12%	41.33%	3.81%
Consumer Staples	0.61%	10.92%	12.70%	14.89%	7.63%
Energy	0.37%	5.04%	0.73%	13.86%	6.91%
Financials	1.91%	2.34%	-3.52%	17.24%	-10.71%
Health Care	0.29%	1.75%	9.75%	19.70%	2.68%
Industrials	0.72%	17.46%	20.91%	20.93%	3.10%
Information Technology	0.20%	5.55%	12.82%	61.72%	5.03%
Materials	-0.63%	7.99%	11.43%	48.57%	7.96%
Telecom Services	0.01%	11.56%	22.61%	8.93%	6.31%
Utilities	-0.04%	5.98%	11.26%	11.91%	4.93%

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 10/22/10.

Bond Index Performance

Index	Week	YTD	12-mo.	2009	5-yr
U.S. Treasury: Intermediate	0.15%	7.56%	7.03%	-1.41%	5.99%
GNMA 30 Year	0.38%	7.65%	7.75%	5.37%	6.71%
U.S. Aggregate	0.30%	8.36%	8.44%	5.93%	6.29%
U.S. Corporate High Yield	0.27%	13.70%	18.48%	58.21%	8.81%
U.S. Corporate Investment Grade	0.48%	10.79%	12.12%	18.68%	6.52%
Municipal Bond: Long Bond (22+)	0.19%	9.48%	9.23%	23.43%	4.58%
Global Aggregate	-0.44%	8.15%	6.55%	6.93%	7.08%

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 10/22/10.

Key Rates

As of 10/22

Fed Funds	0.00-0.25%	5-yr CD	2.36%
LIBOR (1-month)	0.26%	2-yr T-Note	0.35%
CPI - Headline	1.10%	5-yr T-Note	1.14%
CPI - Core	0.80%	10-yr T-Note	2.55%
Money Market Accts.	0.69%	30-yr T-Bond	3.93%
Money Market Funds	0.04%	30-yr Mortgage	4.37%
6-mo CD	0.78%	Prime Rate	3.25%
1-yr CD	1.13%	Bond Buyer 40	4.88%

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

Market Indicators

As of 10/22

TED Spread	16 bps
Investment Grade Spread (A2)	193 bps
ML High Yield Master II Index Spread	598 bps

Sources: Bloomberg and Merrill Lynch via Bloomberg.

Weekly Fund Flows for the Week Ended 10/13/10

Estimated Flows to Long-Term Mutual Funds

	Current Week		Previous	
Domestic Equity	-$623	Million	-$5.569	Billion
Foreign Equity	$1.453	Billion	$1.261	Billion
Taxable Bond	$5.462	Billion	$7.188	Billion
Municipal Bond	$243	Million	$605	Million

Change in Money Market Fund Assets

	Current Week		Previous	
Retail	-$4.99	Billion	-$2.67	Billion
Institutional	-$12.02	Billion	-$3.14	Billion

Source: Investment Company Institute

Factoids for the week of October 18th – 22nd

Monday, October 18, 2010

Spot silver prices rose 48% in 2009 and are up another 38% so far this year, according to MineWeb.com. Gold bullion is up around 23% this year. Bart Melek, a senior economist at BMO Capital Markets, sees spot silver trading at an average of $23.00 per ounce in 2011, up from an estimated average of $18.91 in 2010. Melek advocates owning silver and gold producers over ETFs, which incur storage and other costs. About half of the demand for silver comes from industrial companies. It is primarily used in electronics.

Tuesday, October 19, 2010

A report released yesterday from the Federal Reserve Bank of New York showed that the amount of loans to small businesses declined from $710 billion in Q2'08 (recession) to under $670 billion in Q1'10 (recovery), according to CNNMoney.com. More than 75% of small businesses that applied for a loan during the first half of 2010 received only a portion or none of the credit they sought.

Wednesday, October 20, 2010

Investment Company Institute data shows that investors pulled an estimated $42 billion from U.S. equity funds in Q3'10 despite the fact that the S&P 500 posted a gain of 11.30%, according to CNNMoney.com. The average annual return on the index from 1926-2009 was 9.8%, according to data from Ibbotson Associates. Investors have redeemed $53 billion from U.S. equity funds since the "flash crash" on May 6. By contrast, investors funneled $19 billion into hedge funds in Q3'10, according to Hedge Fund Research.

Thursday, October 21, 2010

Some of the top performing technology fund portfolio managers over the past five years see cloud computing as the next hot theme, according to *Bloomberg BusinessWeek*. Cloud computing allows companies to tap resources on the Internet for their communications infrastructure, software, and data storage needs. Cloud-based IT offers diversity and is likely to be cheaper than doing things in house. Of Standard & Poor's six North American tech sector indices, the Internet index performed best, both y-t-d (+25.5% through 10/15) and in Q3 (+29.6%). The Semiconductor Index was down 1.6% y-t-d, while the broader S&P Information Technology Index was up just 5.33%.

Friday, October 22, 2010

International growth stocks outperformed their value counterparts (MSCI EAFE Growth Index +6.8% vs. MSCI EAFE Value Index +0.4%) year-to-date through October 15, according to Standard & Poor's. Growth topped value by 11.3 percentage points over the past 12 months. The 12-month rolling relative strength of the MSCI EAFE Growth Index to the MSCI EAFE Value Index is currently two standard deviations above its long-term average going back to the mid-1970s. This has occurred only four other times: in 1985, 1987, 2000 and 2008. In each instance, a "sharp and sudden reversal" followed whereby growth stocks greatly underperformed value over the following 12-month period.