# First Trust

# Weekly Market Commentary & Developments

Week ending November 26th, 2010

## US Economy and Credit Markets

Yields and Weekly Changes:

| | | | |
|---|---|---|---|
| 3 Mo. T-Bill: | 0.15 (+02 bps) | GNMA (30 Yr) 6% Coupon: | 110-17/32 (1.16%) |
| 6 Mo. T-Bill: | 0.20 (+02 bps) | Duration: | 3.45 years |
| 1 Yr. T-Bill: | 0.26 (+01 bps) | 30-Year Insured Revs: | 161.7% of 30 Yr. T-Bond |
| 2 Yr. T-Note: | 0.50 (unch.) | Bond Buyer 40 Yield: | 5.26% (-08 bps) |
| 3 Yr. T-Note: | 0.76 (-02 bps) | Crude Oil Futures: | 83.87 (+2.27) |
| 5 Yr. T-Note: | 1.52 (unch.) | Gold Futures: | 1363.10 (+10.40) |
| 10 Yr. T-Note: | 2.86 (-01 bps) | Merrill Lynch High Yield Indices: | |
| 30 Yr. T-Bond: | 4.20 (-04 bps) | BB, 7-10 Yr.: | 6.67% (+12 bps) |
| | | B, 7-10 Yr.: | 8.10% (+16 bps) |

Prices for Treasury notes and bonds were slightly higher during the holiday-shortened week. A move toward safety was the driving factor in the move, rising out of the exchange of artillery fire between North and South Korea and concerns over how the situations in Ireland, Portugal, and Spain will be resolved. Prices were higher Monday on concerns that the joint International Monetary Fund and European Union bailout of Ireland would increase its debt load and potentially affect its credit rating. The tensions in the Korean peninsula drove prices higher again Tuesday. A sharp decrease in first-time unemployment claims pushed prices lower Wednesday. All of the political factors combined to send prices higher in shortened trading Friday. Major economic reports (and related consensus forecasts) for next week include: Tuesday: November Chicago Purchasing Manager (59.9); Wednesday: 3Q Final Nonfarm Productivity (+2.3%) and Unit Labor Costs (-0.2%), November ISM Manufacturing (56.5, ISM Prices Paid 71.0), Fed's Beige Book released, November Total Vehicle Sales (12.02 million); Thursday: Initial Jobless Claims (425,000); Friday: November Employment Report, including Change in Nonfarm Payrolls (+142,000), Unemployment Rate (9.6%), Average Hourly Earnings (+0.2%) Average and Weekly Hours (34.3), November ISM Non-Manufacturing Composite (54.7), and October Factory Orders (-1.0%).

## US Stocks

Weekly Index Performance:

| | |
|---|---|
| DJIA: | 11092.00 (-111.55,-1.0%) |
| S&P 500: | 1189.40 (-10.33,-0.9%) |
| S&P MidCap: | 859.43 (+9.10,+1.1%) |
| S&P Small Cap: | 389.80 (+5.70,+1.5%) |
| NASDAQ Comp: | 2534.56 (+16.44,+0.7%) |
| Russell 2000: | 732.73 (+8.37,+1.2%) |

Market Indicators:

| | |
|---|---|
| Strong Sectors: | Consumer Discretionary, Technology, Industrials |
| Weak Sectors: | Financials, Energy, Health Care |
| NYSE Advance/Decline: | 1,567 / 1,576 |
| NYSE New Highs/New Lows: | 229 / 52 |
| AAII Bulls/Bears: | 47.4% / 24.7% |

US stocks fell in the holiday-shortened week as sovereign debt trouble in Europe, an act of aggression by North Korea against South Korea, and a developing insider trading scandal in the hedge fund world sent investors to the sidelines. The unsettling developments came as economic data in the US contained some good news, and all indications pointed to a solid start for holiday retail sales. The situation in Europe centered on Ireland, which agreed to a €85 billion bailout from the IMF and EU. Fear of contagion enveloped Portugal and Spain. US third quarter GDP was revised up from 2.0% to 2.5% powered by consumer spending, and weekly jobless claims fell to their lowest level in two years. Data on new and existing home sales was decidedly weak, however. In earnings news, **Hewlett-Packard** reported better than expected results in its first quarter under a new CEO. **Deere** reported strong results, but issued cautious forward guidance. **Tiffany**'s strong results showed spending on luxury goods remains robust. **Netflix** unveiled new pricing including a lower-tier streaming-only service, but for most customers prices will go higher. Netflix shares advanced 11% for the week. **Del Monte Foods** agreed to a $5.1 billion, private equity-led buyout. **J. Crew Group** agreed to be taken private for $2.6 billion. Looking ahead, there is plenty in the way of data on the US economy due out in the coming week but investors will want to keep a wary eye on developments in Korea and Europe. Black Friday retail sales results and the monthly employment report will book-end the week in terms of data. Stocks could remain volatile in the short-run but with all signs pointing to continued, steady recovery here at home they look relatively attractive.