First Trust

Market Watch

Week of February 15th

Stock Index Performance

Index	Week	YTD	12-mo.	2009	5-yr
Dow Jones Industrial Avg. (10,099)	1.03%	-2.81%	31.12%	22.68%	1.28%
S&P 500 (1,076)	0.97%	-3.32%	31.93%	26.47%	-0.19%
NASDAQ 100 (1,779)	1.91%	-4.30%	45.84%	54.63%	3.59%
S&P 500 Growth	1.41%	-4.07%	30.22%	31.58%	0.82%
S&P 500 Value	0.54%	-2.55%	33.89%	21.17%	-1.29%
S&P MidCap 400 Growth	2.92%	-1.87%	43.77%	41.23%	3.32%
S&P MidCap 400 Value	2.59%	-0.78%	43.33%	33.77%	2.71%
S&P SmallCap 600 Growth	3.05%	-3.06%	39.68%	28.34%	1.02%
S&P SmallCap 600 Value	2.53%	-1.89%	39.56%	22.86%	0.76%
MSCI EAFE	1.03%	-7.16%	34.90%	31.78%	2.08%
MSCI World (ex US)	1.58%	-6.79%	42.89%	41.45%	4.36%
MSCI World	1.14%	-5.09%	34.07%	29.99%	1.03%
MSCI Emerging Markets	2.70%	-6.72%	70.25%	78.51%	13.36%

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 02/12/10.

S&P Sector Performance

Index	Week	YTD	12-mo.	2009	5-yr
Consumer Discretionary	1.63%	-1.96%	54.62%	41.33%	-1.68%
Consumer Staples	1.54%	-0.43%	25.93%	14.89%	5.14%
Energy	1.96%	-3.15%	14.34%	13.86%	7.26%
Financials	-0.34%	-3.33%	52.14%	17.24%	-12.11%
Health Care	0.13%	-0.96%	17.56%	19.70%	2.49%
Industrials	1.17%	-0.65%	37.33%	20.93%	-1.01%
Information Technology	1.44%	-6.40%	47.30%	61.72%	2.72%
Materials	1.81%	-6.16%	45.95%	48.57%	2.93%
Telecom Services	0.03%	-9.13%	10.48%	8.93%	1.17%
Utilities	-0.48%	-7.34%	4.94%	11.91%	3.53%

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 02/12/10.

Bond Index Performance

Index	Week	YTD	12-mo.	2009	5-yr
U.S. Treasury: Intermediate	-0.40%	1.42%	0.96%	-1.41%	4.91%
GNMA 30 Year	-0.37%	1.28%	6.07%	5.37%	5.70%
U.S. Aggregate	-0.52%	1.30%	7.38%	5.93%	5.04%
U.S. Corporate High Yield	-1.27%	-0.67%	46.69%	58.21%	6.12%
U.S. Corporate Investment Grade	-0.89%	0.69%	17.32%	18.68%	4.45%
Municipal Bond: Long Bond (22+)	-0.11%	1.11%	15.01%	23.43%	3.51%
Global Aggregate	-0.39%	-0.23%	9.83%	6.93%	4.85%

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 02/12/10.

Key Rates

As of 02/12

Fed Funds	0.00-0.25%	5-yr CD	2.87%
LIBOR (1-month)	0.23%	2-yr T-Note	0.82%
CPI - Headline	2.70%	5-yr T-Note	2.33%
CPI - Core	1.80%	10-yr T-Note	3.69%
Money Market Accts.	0.88%	30-yr T-Bond	4.64%
Money Market Funds	0.03%	30-yr Mortgage	5.04%
6-mo. CD	0.99%	Prime Rate	3.25%
1-yr CD	1.43%	Bond Buyer 40	5.32%

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

Market Indicators

As of 02/12

TED Spread	15 bps
Investment Grade Spread (A2)	204 bps
ML High Yield Master II Index Spread	701 bps

Sources: Bloomberg and Merrill Lynch via Bloomberg.

Weekly Fund Flows for the Week Ended 02/03/10

Estimated Flows to Long-Term Mutual Funds

	Current Week		Previous	
Domestic Equity	-$2.228	Billion	-$370	Million
Foreign Equity	$746	Million	$1.180	Billion
Taxable Bond	$7.151	Billion	$6.053	Billion
Municipal Bond	$1.394	Billion	$1.429	Billion

Change in Money Market Fund Assets

	Current Week		Previous	
Retail	-$1.81	Billion	$2.04	Billion
Institutional	-$4.91	Billion	-$15.59	Billion

Source: Investment Company Institute

Factoids for the week of February 8th – 12th

Monday, February 8, 2010

A very small percentage of actively managed domestic equity funds (index, sector and bull/bear funds excluded from universe) consistently repeat top-half performance, according to the S&P Persistence Scorecard. Over the five years ending September 2009, only 4.27% of large-cap funds, 3.98% of mid-cap funds and 9.13% of small-cap funds maintained a top-half ranking over five consecutive 12-month periods.

Tuesday, February 9, 2010

The *global speculative-grade* default rate stood at 12.5% in January, down from 13.0% (revised from 12.5%) in December, according to Moody's. Moody's is now forecasting a default rate of 3.0% by January 2011. The *U.S. speculative-grade* default rate stood at 13.6% in January, down from 13.9% (revised from 13.2%) in December. Moody's is now forecasting a default rate of 3.4% by January 2011. The default rate on *senior loans* stood at 7.93% in the last week of January, down from 8.07% in December, according to Standard & Poor's LCD.

Wednesday, February 10, 2010

Lending to small companies is expected to increase by close to 10% this year, but the capital isn't expected to flow until around midyear, according to *Kiplinger*. Lending contracted by 25% in 2009. Forty-three percent of small companies say they will need to raise money this year in order to remain in business, up from 32% a year ago, according to the Discover Small Business Watch. Defaults on loans, leases and credit lines by small and medium-sized businesses fell for the first time in two years, albeit slightly, in December, according to PayNet. Moderate delinquencies (behind by at least 30 days) stood at 4.22% in December, more than double the rate typical in better times, according to PayNet.

Thursday, February 11, 2010

The length and severity of the recession/financial crisis really put the squeeze on municipalities across the U.S. While Chapter 9 bankruptcies are rare, there has been at least one a year since 1980, according to data from the American Bankruptcy Institute. There were six in the first nine months of 2009, according to Joe Mysak at Bloomberg. The highest total was 18 in 1991. There were 16 in 1994 – including Orange County, California. States are not able to enter Chapter 9 bankruptcy. Most municipalities do not go out of business in bankruptcy, but rather seek to reduce interest rates and extend repayment terms, according to James E. Spiotto, a municipal bankruptcy specialist and partner at Chapman & Cutler.

Friday, February 12, 2010

Despite the strong rebound in equities over the past 11 months, the IPO market in the U.S. remains sluggish. There have been 10 deals priced year-to-date (as of 2/10) worth $1.4 billion, according to Renaissance Capital's IPOHome.com. That compares to just one IPO valued at $720 million at this point last year, but that financial climate was actually quite dire because it followed the failure of Lehman Brothers and the government's bailout of AIG and other financial institutions. From 2004 through 2007, the U.S. priced 230 IPOs a year, on average.