First Trust

Market Watch

Week of March 1st

Stock Index Performance

Index	Week	YTD	12-mo.	2009	5-yr
Dow Jones Industrial Avg. (10,325)	-0.69%	-0.47%	50.59%	22.68%	1.80%
S&P 500 (1,104)	-0.37%	-0.61%	53.62%	26.47%	0.37%
NASDAQ 100 (1,819)	-0.23%	-2.10%	63.91%	54.63%	4.33%
S&P 500 Growth	-0.74%	-1.88%	48.40%	31.58%	1.18%
S&P 500 Value	-0.01%	0.68%	59.77%	21.17%	-0.52%
S&P MidCap 400 Growth	0.13%	1.45%	65.62%	41.23%	3.84%
S&P MidCap 400 Value	-0.53%	2.19%	68.57%	33.77%	3.21%
S&P SmallCap 600 Growth	-0.50%	-0.45%	62.22%	28.34%	1.52%
S&P SmallCap 600 Value	0.03%	2.01%	67.14%	22.86%	1.38%
MSCI EAFE	0.54%	-5.06%	54.58%	31.78%	1.98%
MSCI World (ex US)	0.32%	-4.89%	62.77%	41.45%	4.14%
MSCI World	-0.06%	-2.78%	54.30%	29.99%	1.27%
MSCI Emerging Markets	0.31%	-5.25%	91.63%	78.51%	12.33%

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 02/26/10.

S&P Sector Performance

Index	Week	YTD	12-mo.	2009	5-yr
Consumer Discretionary	0.95%	2.43%	76.84%	41.33%	-0.56%
Consumer Staples	-0.65%	1.68%	36.00%	14.89%	5.76%
Energy	-2.07%	-2.25%	30.63%	13.86%	5.45%
Financials	1.47%	2.08%	98.24%	17.24%	-10.67%
Health Care	-0.35%	0.77%	39.58%	19.70%	2.75%
Industrials	-0.02%	3.82%	73.44%	20.93%	-0.03%
Information Technology	-0.76%	-4.57%	65.92%	61.72%	3.34%
Materials	-2.41%	-4.57%	66.84%	48.57%	2.38%
Telecom Services	-1.10%	-9.35%	12.76%	8.93%	1.19%
Utilities	-2.25%	-6.12%	20.73%	11.91%	3.85%

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 02/26/10.

Bond Index Performance

Index	Week	YTD	12-mo.	2009	5-yr
U.S. Treasury: Intermediate	0.82%	1.84%	2.33%	-1.41%	5.10%
GNMA 30 Year	0.76%	1.73%	6.64%	5.37%	5.85%
U.S. Aggregate	0.87%	1.91%	9.32%	5.93%	5.28%
U.S. Corporate High Yield	0.48%	1.44%	56.26%	58.21%	6.47%
U.S. Corporate Investment Grade	1.34%	1.99%	22.92%	18.68%	4.87%
Municipal Bond: Long Bond (22+)	0.50%	1.52%	16.61%	23.43%	3.72%
Global Aggregate	1.59%	0.49%	13.62%	6.93%	4.90%

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 02/26/10.

Key Rates

As of 02/26

Fed Funds	0.00-0.25%	5-yr CD	2.84%
LIBOR (1-month)	0.23%	2-yr T-Note	0.81%
CPI - Headline	2.60%	5-yr T-Note	2.30%
CPI - Core	1.60%	10-yr T-Note	3.61%
Money Market Accts.	0.84%	30-yr T-Bond	4.55%
Money Market Funds	0.02%	30-yr Mortgage	5.08%
6-mo. CD	0.98%	Prime Rate	3.25%
1-yr CD	1.39%	Bond Buyer 40	5.30%

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

Market Indicators

As of 02/26

TED Spread	12 bps
Investment Grade Spread (A2)	195 bps
ML High Yield Master II Index Spread	671 bps

Sources: Bloomberg and Merrill Lynch via Bloomberg.

Weekly Fund Flows for the Week Ended 02/17/10

Estimated Flows to Long-Term Mutual Funds

	Current Week		Previous	
Domestic Equity	$14	Million	-$5.155	Billion
Foreign Equity	$1.094	Billion	-$447	Million
Taxable Bond	$2.761	Billion	$5.420	Billion
Municipal Bond	$1.289	Billion	$1.381	Billion

Change in Money Market Fund Assets

	Current Week		Previous	
Retail	-$7.07	Billion	$2.73	Billion
Institutional	$5.44	Billion	-$40.38	Billion

Source: Investment Company Institute

Factoids for the week of February 22nd – 26th

Monday, February 22, 2010

Leveraged loans are outperforming high yield corporate bonds for the first time in four years, according to Bloomberg. Speculative-grade loans were up 1.91% year-to-date through February 19, according to Standard & Poor's. The Merrill Lynch High Yield Master II Index was up 1.14%. Funds that invest in leveraged loans have attracted $1.38 billion this year, compared to $440 million in outflows from high yield funds, according to Deutsche Bank AG. Futures for the 3-month LIBOR rate indicate the rate will rise to 1.29% in a year, and to 3.63% by February 25, 2013. It currently stands at 0.25%.

Tuesday, February 23, 2010

The Q4'09 earnings season is coming to an end and 68% of all U.S. companies have topped their estimates so far, according to Bespoke Investment Group. If it holds, it will mark the third consecutive quarter where the beat rate has been 68%. The revenue beat rate is running at 70%, the highest reading since Q4'04. The forward-looking price-to-earnings ratio of the S&P 500 is 14.08, according to Bloomberg. Bespoke data indicates that the average P/E ratio has been around 16.00 since 1942.

Wednesday, February 24, 2010

The number of distressed banks in the U.S. rose from 552 in Q3'09 to 702 in Q4'09, according to the Federal Deposit Insurance Corporation (FDIC). It is the largest number of banks to hit the FDIC's "problem list" since June 1993. The FDIC does not disclose the names of the banks. The total value of the problem assets in the system stood at $402.8 billion at the end of 2009, up from $345.9 billion in Q3'09. Those banks insured by the FDIC posted a profit of $914 million in Q4'09, down from $2.8 billion in Q3'09. Bank losses in 2010 are expected to be largely driven by weakness in the commercial real estate market, according to FDIC Chairwoman Sheila Bair.

Thursday, February 25, 2010

The Conference Board Consumer Confidence Index fell from a reading of 56.5 in January to 46.0 in February, or a drop of 18.6%. It marked the sixth time in the past decade that the index declined by 15% or more in a month, according to Bespoke Investment Group. While some might interpret such a decline in sentiment as a negative for the stock market, it isn't so. In the five prior periods where a drop of this magnitude occurred, the S&P 500 posted an average gain of 23.0% over the following 12 months – with positive returns in all five periods.

Friday, February 26, 2010

From the 1970s to late 2008, the cash-to-business loan ratio within the U.S. banking system fell from 60% to a low of 20%, according to the Economist Intelligence Unit. The ratio, however, surged to an all-time high of 98% on January 13, 2010, according to data from the Federal Reserve. The spike is a combination of cash hoarding and a reduction in loans outstanding. It indicates that banks should have the capacity to lend once confidence in the economy is restored and loan demand returns.