First Trust

Market Watch

Week of October 17th

Stock Index Performance

Index	Week	YTD	12-mo.	2010	5-yr.
Dow Jones Industrial Avg. (11,644)	4.88%	2.64%	7.75%	14.06%	2.21%
S&P 500 (1,225)	6.01%	-1.05%	6.47%	15.06%	-0.04%
NASDAQ 100 (2,372)	7.68%	7.65%	16.48%	20.15%	7.26%
S&P 500 Growth	6.40%	3.07%	10.86%	15.09%	2.82%
S&P 500 Value	5.56%	-5.33%	1.99%	15.13%	-2.98%
S&P MidCap 400 Growth	7.33%	-1.42%	10.90%	30.65%	5.60%
S&P MidCap 400 Value	6.90%	-7.83%	1.21%	22.80%	1.01%
S&P SmallCap 600 Growth	7.77%	-1.03%	10.80%	28.43%	3.59%
S&P SmallCap 600 Value	8.09%	-8.24%	1.85%	25.01%	-0.56%
MSCI EAFE	4.50%	-9.37%	-8.12%	7.75%	-2.50%
MSCI World (ex US)	4.94%	-11.35%	-9.51%	11.15%	-0.62%
MSCI World	5.37%	-5.61%	-1.13%	11.76%	-1.16%
MSCI Emerging Markets	5.89%	-16.93%	-14.96%	18.88%	5.46%

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 10/14/11.

S&P Sector Performance

Index	Week	YTD	12-mo.	2010	5-yr.
Consumer Discretionary	6.56%	4.60%	14.40%	27.85%	2.81%
Consumer Staples	2.77%	7.38%	11.41%	14.12%	7.20%
Energy	8.83%	-0.26%	15.12%	20.46%	5.73%
Financials	6.81%	-19.95%	-12.10%	12.18%	-16.67%
Health Care	3.23%	6.22%	8.14%	2.90%	1.94%
Industrials	6.27%	-6.23%	1.01%	26.74%	-0.21%
Information Technology	7.94%	5.15%	12.25%	10.22%	4.77%
Materials	7.55%	-10.53%	1.06%	22.34%	3.15%
Telecom Services	3.29%	1.54%	7.79%	18.97%	1.58%
Utilities	1.68%	11.84%	11.63%	5.46%	3.73%

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 10/14/11.

Bond Index Performance

Index	Week	YTD	12-mo.	2010	5-yr.
U.S. Treasury: Intermediate	-0.22%	5.15%	2.96%	5.29%	6.00%
GNMA 30 Year	-0.04%	6.21%	5.33%	6.71%	7.01%
U.S. Aggregate	-0.18%	5.80%	4.04%	6.54%	6.47%
U.S. Corporate High Yield	2.46%	0.28%	1.80%	15.12%	7.31%
U.S. Corporate Investment Grade	0.29%	5.26%	3.43%	9.00%	6.69%
Municipal Bond: Long Bond (22+)	0.04%	11.58%	3.05%	1.12%	4.06%
Global Aggregate	0.44%	5.86%	2.47%	5.55%	7.20%

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 10/14/11.

Key Rates

As of 10/14/11

Fed Funds	0.00-0.25%	5-yr CD	1.60%
LIBOR (1-month)	0.24%	2-yr T-Note	0.26%
CPI - Headline	3.80%	5-yr T-Note	1.11%
CPI - Core	2.00%	10-yr T-Note	2.24%
Money Market Accts.	0.54%	30-yr T-Bond	3.23%
Money Market Funds	0.02%	30-yr Mortgage	4.19%
6-mo CD	0.51%	Prime Rate	3.25%
1-yr CD	0.78%	Bond Buyer 40	4.99%

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

Market Indicators

As of 10/14/11

TED Spread	38 bps
Investment Grade Spread (A2)	262 bps
ML High Yield Master II Index Spread	790 bps

Sources: Bloomberg and Merrill Lynch via Bloomberg.

Weekly Fund Flows for the Week Ended 10/5/11

Estimated Flows to Long-Term Mutual Funds

	Current Week		Previous	
Domestic Equity	-$4.292	Billion	-$5.673	Billion
Foreign Equity	$498	Million	-$802	Million
Taxable Bond	-$6.243	Billion	$3.458	Billion
Municipal Bond	$444	Million	$80	Million

Change in Money Market Fund Assets

	Current Week		Previous	
Retail	$3.21	Billion	$5.73	Billion
Institutional	-$6.16	Billion	-$0.86	Billion

Source: Investment Company Institute

Factoids for the week of October 10th – 14th

Monday, October 10, 2011

New hedge fund launches totaled 280 in Q2'11, a slight decline from the 298 opened in Q1'11, according to Hedge Fund Research, Inc. The 578 first half total was the strongest showing since the first half of 2007. Fund liquidations totaled 191 in Q2, up from 181 in Q1. Total hedge fund assets reached a record $2.04 trillion in June. There are over 9,000 hedge funds worldwide. Hedge fund managers struggled with the surge in volatility in Q3. Overall, hedge funds were down 5.5% in the quarter.

Tuesday, October 11, 2011

Holiday retail sales are expected to increase 2.8% this year to $465.6 billion, according to the National Retail Federation. While less than last season's 5.2% growth rate, it is higher than the 2.6% average growth rate over the past ten years. Retailers are expected to hire between 480,000 and 500,000 seasonal workers, in line with last year's 495,000. Retail stocks have performed well this year despite weakness in consumer confidence. The S&P Retail Select Industry Index, which tracks 94 companies, is up 3.86% year-to-date through 10/10. That is considerably better than the 3.48% loss posted so far by the S&P 500.

Wednesday, October 12, 2011

A survey released earlier this month by KPMG found that 75% of commercial real estate executives expect higher revenues in 2011 than a year ago, according to REIT.com. A little more than half (57%) said they do not expect a full recovery in commercial real estate until the end of 2013 or after. Roughly 75% of those surveyed said that distressed real estate could impact their investment strategies over the next year. Investors looking out a couple of years or more should note that the FTSE NAREIT Equity REIT Index is currently trading about 40% below its 10-year high set on 2/7/07. The index yields 4.06%, more than 13 times the yield on the 2-year T-Note.

Thursday, October 13, 2011

Total global M&A deal volume this year stood at $1.78 trillion (20,479 deals) in Q3'11, up 15.6% from the $1.54 trillion (18,898 deals) announced a year ago, according to Bloomberg. In Q3, the number of global transactions was down over 12% from a year ago, but activity in the U.S. was relatively strong. U.S. based companies (buy-side) accounted for 40% of total Q3 deal volume. Deal volume in Western Europe was down more than 26% due to the sovereign debt concerns in the region. The average premium paid in Q3 was 31.4% and 69% of the deals were cash transactions.

Friday, October 14, 2011

The extended period of low interest rates in the U.S. has put significant pressure on pension plans, according to Reuters. Two steep bear markets since 2000 only exacerbated the problem. The gap between assets and liabilities is the widest since World War II. The aggregate deficit of pension plans among S&P 1500 companies increased $134 billion in September 2011 to $512 billion, according to Mercer. The funded ratio of the companies in the index fell to 73%. Companies seek to keep the ratio above 80%.