First Trust

Market Watch

Week of October 24th

Stock Index Performance

Index	Week	YTD	12-mo.	2010	5-yr.
Dow Jones Industrial Avg. (11,809)	1.48%	4.16%	8.77%	14.06%	2.43%
S&P 500 (1,238)	1.14%	0.07%	7.07%	15.06%	0.14%
NASDAQ 100 (2,336)	-1.52%	6.02%	12.75%	20.15%	7.15%
S&P 500 Growth	-0.01%	3.05%	9.81%	15.09%	2.70%
S&P 500 Value	2.47%	-2.99%	4.31%	15.13%	-2.48%
S&P MidCap 400 Growth	-0.37%	-1.78%	10.88%	30.65%	5.68%
S&P MidCap 400 Value	1.70%	-6.26%	2.58%	22.80%	1.43%
S&P SmallCap 600 Growth	-0.69%	-1.71%	11.15%	28.43%	3.48%
S&P SmallCap 600 Value	0.98%	-7.34%	3.50%	25.01%	-0.28%
MSCI EAFE	0.37%	-9.03%	-7.29%	7.75%	-2.70%
MSCI World (ex US)	-0.16%	-11.49%	-8.80%	11.15%	-0.92%
MSCI World	0.69%	-4.96%	-0.38%	11.76%	-1.19%
MSCI Emerging Markets	-1.59%	-18.25%	-14.76%	18.88%	5.03%

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 10/21/11.

S&P Sector Performance

Index	Week	YTD	12-mo.	2010	5-yr.
Consumer Discretionary	1.65%	6.32%	15.20%	27.85%	3.23%
Consumer Staples	1.68%	9.18%	12.62%	14.12%	7.33%
Energy	2.85%	2.59%	18.51%	20.46%	5.97%
Financials	3.94%	-16.80%	-8.73%	12.18%	-15.88%
Health Care	0.69%	6.95%	8.23%	2.90%	1.63%
Industrials	1.49%	-4.83%	2.74%	26.74%	0.29%
Information Technology	-2.15%	2.88%	8.03%	10.22%	4.46%
Materials	-0.31%	-10.80%	0.42%	22.34%	3.11%
Telecom Services	0.23%	1.77%	8.19%	18.97%	1.33%
Utilities	2.78%	14.95%	13.73%	5.46%	3.65%

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 10/21/11.

Bond Index Performance

Index	Week	YTD	12-mo.	2010	5-yr.
U.S. Treasury: Intermediate	0.17%	5.33%	3.03%	5.29%	6.01%
GNMA 30 Year	0.12%	6.34%	5.42%	6.71%	6.98%
U.S. Aggregate	0.29%	6.11%	4.28%	6.54%	6.48%
U.S. Corporate High Yield	2.03%	2.31%	3.71%	15.12%	7.70%
U.S. Corporate Investment Grade	1.08%	6.40%	4.65%	9.00%	6.85%
Municipal Bond: Long Bond (22+)	0.38%	12.01%	3.48%	1.12%	4.10%
Global Aggregate	0.60%	6.49%	3.63%	5.55%	7.19%

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 10/21/11.

Key Rates

As of 10/21/11

Fed Funds	0.00-0.25%	5-yr CD	1.56%
LIBOR (1-month)	0.25%	2-yr T-Note	0.27%
CPI - Headline	3.90%	5-yr T-Note	1.06%
CPI - Core	2.00%	10-yr T-Note	2.21%
Money Market Accts.	0.51%	30-yr T-Bond	3.27%
Money Market Funds	0.02%	30-yr Mortgage	4.17%
6-mo CD	0.48%	Prime Rate	3.25%
1-yr CD	0.76%	Bond Buyer 40	4.98%

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

Market Indicators

As of 10/21/11

TED Spread	40 bps
Investment Grade Spread (A2)	250 bps
ML High Yield Master II Index Spread	747 bps

Sources: Bloomberg and Merrill Lynch via Bloomberg.

Weekly Fund Flows for the Week Ended 10/12/11

Estimated Flows to Long-Term Mutual Funds

	Current Week		Previous	
Domestic Equity	-$5.938	Billion	-$4.292	Billion
Foreign Equity	-$1.546	Billion	$498	Million
Taxable Bond	$4.011	Billion	-$6.243	Billion
Municipal Bond	$28	Million	$444	Million

Change in Money Market Fund Assets

	Current Week		Previous	
Retail	-$1.18	Billion	$3.21	Billion
Institutional	-$0.81	Billion	-$6.16	Billion

Source: Investment Company Institute

Factoids for the week of October 17th – 21st

Monday, October 17, 2011
While the S&P 500 was down 2.63% (price-only) y-t-d through 10/14, it has outperformed all of the G7 and BRIC countries, according to Bespoke Investment Group. The S&P 500's return ranks 12th out of the 78 countries tracked by Bespoke. The only markets up for the year are Venezuela (+53.23%), Botswana (+11.04), Jamaica (+8.57%) and Ecuador (+0.86%). All of the BRICs are down more than 10%.

Tuesday, October 18, 2011
Spending on business travel in the U.S. will rise an estimated 6.9% (y-o-y) to $250.2 billion in 2011 and rise by 4.3% to $260.9 billion in 2012, according to the Global Business Travel Association. The group estimates that international travel by U.S companies will rise an estimated 9.1% to $31.9 billion and rise by 7.7% to $34.3 billion in 2012.

Wednesday, October 19, 2011
Today marks the anniversary of "Black Monday" and the stock market crash of 1987. It is the day the DJIA and S&P 500 plunged 22.6% and 20.5%, respectively. From 10/19/87-10/18/11, the annualized return on the S&P 500, which is a broader market gauge than the DJIA, was 9.78%. Why is this relevant? Because that return closely resembles the 9.87% average annual total return for the S&P 500 from 1926-2010, according to Ibbotson Associates. After the crash of 1987, some worried that program trading was the primary cause of the crash, just like those who claimed that high-speed traders caused the "Flash Crash" on May 6, 2010. Whether true or not, it appears that the more things change the more they stay the same, because the S&P 500 is up 11.89% since 5/6/10.

Thursday, October 20, 2011
House payments are more affordable today than they have been in the past four decades, according to SmartMoney.com. The National Association of Realtors Housing Affordability Index stood at 183.7 in August. A reading of 100 implies that a median-income family with a 20% down payment can afford a mortgage on a median-price home. The historical average for the index is 120. The median sales price of new houses sold in August 2011 was $209,100, according to the U.S. Department of Housing and Urban Development. The ratio of median home prices to rents on average-size apartments is currently 11.3, down from 18.5 at the peak of the housing bubble, according to Moody's. The average between 1989 and 2003 was 10.

Friday, October 21, 2011
The annual return on the S&P 500 moved in the same direction as the U.S. M&A dollar volume y-o-y percentage change in 8 of the 10 years from 2001 to 2010, according to S&P's Capital IQ. The only two years where it did not occur were 2008 and 2009 (credit crisis). So far in 2011, U.S. M&A dollar volume is up about 10%, while the S&P 500 is down 1.8%. The index, however, has gained 7.6% in October through the 20th.