First Trust

Weekly Market Commentary & Developments

Week Ended November 18, 2011

US Economy and Credit Markets

Yields and Weekly Changes:

3 Mo. T-Bill:	0.00 (unch.)	GNMA (30 Yr) 6% Coupon:	112-04/32 (1.19%)
6 Mo. T-Bill:	0.04 (+02 bps)	Duration:	3.59 years
1 Yr. T-Bill:	0.10 (+02 bps)	30-Year Insured Revs:	217.7% of 30 Yr. T-Bond
2 Yr. T-Note:	0.27 (+04 bps)	Bond Buyer 40 Yield:	5.02% (+02 bps)
3 Yr. T-Note:	0.41 (+02 bps)	Crude Oil Futures:	97.41 (-1.58)
5 Yr. T-Note:	0.91 (unch.)	Gold Futures:	1724.00 (-64.1)
10 Yr. T-Note:	2.00 (-05 bps)	Merrill Lynch High Yield Indices:	
30 Yr. T-Bond:	2.99 (-11 bps)	BB, 7-10 Yr.:	6.90% (+12 bps)
		B, 7-10 Yr.:	8.47% (+13 bps)

Treasuries advanced this week and were particularly volatile midweek on the longer end of the curve with 10 and 30 year maturities advancing sharply as equity markets slumped. On Monday the Federal reserve continued with "Operation Twist", purchasing $2.54bln in treasuries maturating between 2036 and 2041 and yields were relatively flat across the board. Tuesday, Mario Monti, Italy's premier-in-waiting, wrapped up talks about forming a new government, providing some reassurance about containment of the European debt crisis and positive retail sales data lifted stocks, causing shorter term treasuries to decline. On Wednesday and Thursday, treasuries with maturities ranging from 5 to 10 years rallied strongly, pushing yields down, when Fitch ratings issued a warning that U.S. banks faced serious risk of deteriorating creditworthiness if the European debt crisis worsens and European sovereign yields increased. Friday marked the end of four consecutive days of treasury increases as the ECB made purchases of Italian and Spanish bonds, bolstering confidence that the European debt crisis could be contained. Major economic reports (and related consensus forecasts) for next week are somewhat limited in light of the Thanksgiving holiday week. Monday: October Existing Home Sales (-2.2% MoM); Tuesday: Annualized GDP (2.5% QoQ) Personal Consumption (2.4% Q3) and Core Personal Consumption Expenditure (2.1% QoQ); Wednesday: October Durable Goods Orders (-1.2% MoM), October Personal Income (+.3% MoM), November University of Michigan Consumer Confidence (64.5).

US Stocks

Weekly Index Performance:

DJIA:	11796.16 (-357.52,-2.9%)
S&P 500:	1215.65 (-48.20,-3.8%)
S&P MidCap:	861.04 (-31.02,-3.5%)
S&P Small Cap:	399.86 (-12.22,-3.0%)
NASDAQ Comp:	2572.5 (-106.25,-4.0%)
Russell 2000:	719.42 (-25.22,-3.4%)

Market Indicators:

Strong Sectors:	Staples, Utilities, Telecom
Weak Sectors:	Financials, Materials, Energy
NYSE Advance/Decline:	692/ 2,483
NYSE New Highs/New Lows:	125/ 97
AAII Bulls/Bears:	41.9% / 31.1%

U.S. stocks fell for the week as renewed contagion fears out of Europe led investors to sell shares. The negative sentiment was driven by an increase in Italian borrowing costs and a note from Fitch Ratings stating that further European contagion fears will pose a risk to American banks. In addition, investors were fearful of further political brinkmanship out of Washington as the supercommittee's deadline approaches for paring the national debt. U.S. economic news was mostly positive for the week as initial jobless claims fell to a 7 month low and the U.S. leading indicators index rose more than forecasted, signaling growth will continue in 2012. Turning to stock news, **Lowe's** gained for the week as earnings beat expectations and sales guidance was above consensus. **Boeing Co.** also advanced for the week after receiving an order for 70 aircraft from **Emirates**, one of the largest in company history, for $26 billion. Refiners **Valero Energy**, **Tesoro Corp**. and **HollyFrontier Corp.** declined after **Enbridge Inc.** announced it will reverse the direction of the Seaway pipeline after acquiring the asset from **ConcoPhillips**. Reversing the flow of the Seaway pipeline should narrow the Brent -WTI spread, hurting future refining margins. **Staples Inc.** declined for the week after reporting lower than expected sales and cut its full-year profit outlook because of the challenging market in Europe. Looking ahead, investor sentiment toward the continuing European debt crisis and news from the supercommittee will likely drive markets in the near term. For investors looking past the near term noise, valuations continue to look compelling. Additionally, recent strong U.S. economic news should also support the market, if and when Europe stabilizes.