First Trust

Weekly Market Commentary & Developments

Week Ended February 11, 2011

US Economy and Credit Markets

Yields and Weekly Changes:

3 Mo. T-Bill:	0.11 (-03 bps)	GNMA (30 Yr) 6% Coupon:	109-12/32 (2.55%)
6 Mo. T-Bill:	0.15 (-01 bps)	Duration:	3.56 years
1 Yr. T-Bill:	0.28 (+01 bps)	30-Year Insured Revs:	154.7% of 30 Yr. T-Bond
2 Yr. T-Note:	0.82 (+08 bps)	Bond Buyer 40 Yield:	5.76% (-03 bps)
3 Yr. T-Note:	1.39 (+17 bps)	Crude Oil Futures:	85.45 (-3.58)
5 Yr. T-Note:	2.35 (+09 bps)	Gold Futures:	1356.50 (+8.20)
10 Yr. T-Note:	3.63 (unch.)	Merrill Lynch High Yield Indices:	
30 Yr. T-Bond:	4.69 (-03 bps)	BB, 7-10 Yr.:	6.51% (101 bps)
		B, 7-10 Yr.:	7.51% (-01 bps)

Treasury yields were higher in 2, 3 and 5-year notes while the 10-year note was unchanged and the 30-year bond yield declined marginally this week. Prices were heavily influenced by government auctions of $72 billion in Treasury securities which ended Thursday. The 10-year note and 30-year bond recouped losses from earlier in the week on Friday after the auctions ended and Egyptian president Mubarak stepped down. The trade deficit for December was reported at $40.6 billion, nearly in line with the consensus expectation of $40.5 billion and February preliminary University of Michigan Consumer Confidence was reported at 75.1, also nearly in line with expectations of 75.0. Major economic reports (and related consensus forecasts) for next week include: Tuesday: February Empire Manufacturing Index (15.0), January Import Price Index (0.8% MoM, 4.4% YoY), January Advance Retail Sales (0.5%); Wednesday: January Housing Starts (540,000, 2.1% MoM), January Building Permits (565,000, -9.9% MoM), January PPI (0.8%, 3.5% YoY), January PPI Ex Food and Energy (0.2%, 1.2% YoY), January Industrial Production (0.5%), January Capacity Utilization (76.4%); Thursday: January CPI (0.3%, 1.6% YoY), January CPI Ex Food and Energy (0.1%, 0.9% YoY), February Philadelphia Fed Index (21.0).

US Stocks

Weekly Index Performance:

DJIA:	12273.26 (+181.11,+1.5%)
S&P 500:	1329.15 (+18.28,+1.4%)
S&P MidCap:	969.50 (+24.55,+2.6%)
S&P Small Cap:	435.28 (+11.06,+2.6%)
NASDAQ Comp:	2809.44 (+40.14,+1.4%)
Russell 2000:	822.11 (+22.00,+2.7%)

Market Indicators:

Strong Sectors:	Discretionary, Financials, Industrials
Weak Sectors:	Energy, Health Care, Utilities
NYSE Advance/Decline:	2,125 / 1,031
NYSE New Highs/New Lows:	629 / 34
AAII Bulls/Bears:	49.4% / 26.9%

US stocks continued their march higher amid generally positive earnings news and an apparent resolution to unrest in Egypt. The Dow Industrials had an 8 day winning streak snapped on Thursday though the index got right back on track with gains Friday. China raised rates for a third time in four months though equity markets mostly shrugged off the announcement. Credit card borrowing in the US rose in December for the first time since 2008. **McDonald's** gained on strong January comp store sales especially in Europe. **Whole Foods** reported strong earnings and boosted its 2011 outlook as store traffic and spending per visit rose. **Panera Bread** and **Chipotle** both spiked higher following strong results as spending at casual restaurants continues to be strong. Strong theme park results and cost reductions led to a strong Q1 for **Disney**. **Sara Lee** missed by a penny blaming higher food costs. **Cisco** shares plunged following quarterly results as margins fell and guidance disappointed on expectations of lower government spending. **Teva Pharmaceutical** cited sluggish North American results as the cause of its poor Q4 performance. Guidance for 2011 also disappointed. **Microsoft** and **Nokia** announced a partnership whereby Nokia will base its smartphones on the Windows operating system. **3M** and **ConocoPhillips** both announced dividend raises and large stock buybacks of $7 and $10 billion, respectively. In merger news, **Danaher** agreed to acquire **Beckman Coulter** for $5.9 billion to expand its medical technology business and **Ensco** will pay $7.3 billion for fellow offshore driller **Pride International**. **NYSE Euronext** confirmed it is in talks to be acquired by **Deutsche Borse**. Looking ahead, earnings season is winding down so investor focus is likely to shift to more macro factors in the coming weeks. While equities could be due to take a breather after their recent run, data suggests the economy is moving in the right direction which is a longer term positive for equity prices.