First Trust

Weekly Market Commentary & Developments

Week Ended January 6th, 2012

US Economy and Credit Markets

Yields and Weekly Changes:

3 Mo. T-Bill:	0.01 (unch.)	GNMA (30 Yr) 6% Coupon:	113-09/32 (1.17 %)
6 Mo. T-Bill:	0.04 (-01 bps)	Duration:	3.62 years
1 Yr. T-Bill:	0.09 (-01 bps)	30-Year Insured Revs:	211.5% of 30 Yr. T-Bond
2 Yr. T-Note:	0.25 (+01bps)	Bond Buyer 40 Yield:	4.79% (-05 bps)
3 Yr. T-Note:	0.37 (+02 bps)	Crude Oil Futures:	101.83 (-3.00)
5 Yr. T-Note:	0.85 (+02 bps)	Gold Futures:	1617.70 (+50.90)
10 Yr. T-Note:	1.95 (+08 bps)	Merrill Lynch High Yield Indices:	
30 Yr. T-Bond:	3.01 (+11 bps)	BB, 7-10 Yr.:	6.32% (-27 bps)
		B, 7-10 Yr.:	7.99% (-25 bps)

Medium and long term treasuries fell slightly during the shortened holiday week with a mix of economic news that nudged equities higher. Yields were higher on Tuesday, with the 10 year touching 2% intraday after the ISM Manufacturing Index increased at the fastest rate in 6 months, printing at 53.9 vs. a 53.5 estimate. The better than expected data bolstered the case for economic growth in the U.S. and turned investors away from safer government debt. The drop in treasuries continued Wednesday after positive U.S. vehicle sales and optimistic headlines moved equities higher following an early session drop. Thursday's reasonable jobless claims numbers and ADP employment data caused Treasuries decline to their lows for the week. Friday marked a reverse in direction, with all maturities greater than one year rallying, even as the release in payroll data released was better than expected. Non-farm payrolls increased by 200,000 in November vs. a 155,000 estimate and the unemployment rate fell to 8.5% vs. an 8.7% estimate, but the equity market was still lower on the day and treasuries moved higher. Major economic reports (and related consensus forecasts) for next week include: Monday: November Consumer Credit ($7bln); Tuesday: November Wholesale Inventories (.5%); Thursday: December Advance Retail Sales (.3%) and Initial Jobless Claims (375,000); Friday: December Import Price Index (-.1%), November U.S. Trade Balance (-$45bln), and U. of Michigan January Consumer Confidence (71.5).

US Stocks

Weekly Index Performance:

DJIA:	12359.92 (142.36,1.2%)
S&P 500:	1277.81 (20.21,1.6%)
S&P MidCap:	891.49 (12.33,1.4%)
S&P Small Cap:	420.18 (5.11,1.2%)
NASDAQ Comp:	2674.22 (69.07,2.7%)
Russell 2000:	749.71 (8.79,1.2%)

Market Indicators:

Strong Sectors:	Materials, Financials, Info Tech
Weak Sectors:	Telecom, Utilities, Consumer Staples
NYSE Advance/Decline:	2,213/ 947
NYSE New Highs/New Lows:	305/ 27
AAII Bulls/Bears:	48.9% / 17.2%

Stocks posted strong gains during the holiday shortened week as investors shrugged off negative news out of Europe and focused on positive economic data. On Thursday, ADP Employer Services announced that payrolls improved by 325,000 last month, beating the median economist forecast for growth of 178,000 jobs. The positive ADP jobs report was confirmed on Friday by the Labor Department's report, showing the jobless rate unexpectedly fell to 8.5%. The unemployment number was the lowest in nearly three years. Additionally, construction spending, ISM Manufacturing and factory orders all beat the median economic estimates. The Federal Reserve made another historic move as it will, for the first time, make public their own internal forecasts for the federal funds rate during their January 24th and 25th meeting. This move continues Ben Bernanke's goal of greater transparency from the Federal Reserve. Turning to stock news, **Barnes & Noble, Inc.** declined sharply as holiday sales underwhelmed expectations and investors had skepticism over the potential spin-off of the Nook business. **Ford Motor Co.** had its single best day since 2005, after reporting better than expected December vehicle sales. **Netflix Inc.** shares showed some life, after getting pummeled recently, as subscribers streamed more than 2 billion hours of programming during the 4th quarter. **Chesapeake Energy Corp.** also gained for the week as the company sold 25% of its Utica shale resources to **Total SA** for approximately $2 Billion. Looking ahead, the beginning of earnings season, new information out of Europe and December retail sales figures should drive the market next week. Longer term, markets continue to look compelling as valuations remain low and positive economic figures have recently off-set continued uncertainty in Europe.