First Trust

Weekly Market Commentary & Developments

Week Ended February 3rd, 2012

US Economy and Credit Markets

Yields and Weekly Changes:

3 Mo. T-Bill:	0.07 (+02 bps)	GNMA (30 Yr) 6% Coupon:	112-21/32 (1.28%)
6 Mo. T-Bill:	0.09 (+01 bps)	Duration:	3.66 years
1 Yr. T-Bill:	0.12 (+01 bps)	30-Year Insured Revs:	200.9% of 30 Yr. T-Bond
2 Yr. T-Note:	0.23 (+02 bps)	Bond Buyer 40 Yield:	4.54% (-07 bps)
3 Yr. T-Note:	0.32 (+02 bps)	Crude Oil Futures:	97.73 (-1.83)
5 Yr. T-Note:	0.76 (+02 bps)	Gold Futures:	1725.10 (-7.10)
10 Yr. T-Note:	1.92 (+03 bps)	Merrill Lynch High Yield Indices:	
30 Yr. T-Bond:	3.12 (+06 bps)	BB, 7-10 Yr.:	6.05% (-04 bps)
		B, 7-10 Yr.:	7.66% (-05 bps)

Treasury yields were higher this week as relatively good economic reports later in the week overcame flight to safety concerns over the Greek rescue package that resulted in lower yields Monday and Tuesday. Personal income increased 0.5% in December, higher than the estimate of 0.4% and spending was flat where analysts expected 0.1% growth. The Dallas Fed manufacturing index increased to 15.3 against the estimate of 1.5. The S&P/Case –Shiller home price index declined 0.7% in November, more than the estimate of -0.5% and is down 3.67% year over year, also more than analysts expected. Construction spending increased 1.5% in December, greater than the estimate of 0.5%. The ISM manufacturing index increased to 54.1 in January, slightly below the estimate of 54.5. Domestic and total vehicle sales both exceeded analyst expectations in January as total sales came in at a 14.13 million annual rate and domestic at 11.05 million. Nonfarm productivity increased 0.7% in the fourth quarter, slightly below estimates of 0.8% and unit labor costs increased 1.2% which was higher than the estimate of 0.8%. Nonfarm payrolls increased 243,000 in January, substantially higher than the estimate of 140,000 and the unemployment rate declined to 8.3% from 8.5%. Major economic reports (and related consensus forecasts) for next week include: Thursday: December Wholesale Inventories (0.5%); Friday: December Trade Balance (-$48.5B), February U of M Consumer Confidence (74.0), January Monthly Budget Statement (-$52.5B).

US Stocks

Weekly Index Performance:

DJIA:	12862.23 (201.77,1.6%)
S&P 500:	1344.9 (28.57,2.2%)
S&P MidCap:	971.25 (29.14,3.1%)
S&P Small Cap:	463.56 (18.73,4.2%)
NASDAQ Comp:	2905.66 (89.11,3.2%)
Russell 2000:	831.11 (32.26,4.0%)

Market Indicators:

Strong Sectors:	Financials, Info Tech, Telecom
Weak Sectors:	Utilities, Consumer Staples, Health Care
NYSE Advance/Decline:	2,496/ 665
NYSE New Highs/New Lows:	526/ 32
AAII Bulls/Bears:	43.8% / 25.1%

Stocks declined to begin the week as Greece sparred with European leaders over a second rescue package, but the pull back was short lived as equities roared back in the latter half of the week. Positive manufacturing data in the U.S., China, U.K. and Germany moved markets higher mid-week, but most gains came on the final day of trading as U.S. unemployment fell to a three year low of 8.3%. Turning to earnings news, **Amazon.com** fell after sales missed analyst expectations on weaker than expected digital media sales. **Abercrombie & Fitch** also fell due to contracting margins and weak domestic sales. **Seagate Technology** soared over 27% for the week after issuing stronger than expected earnings and guidance as they continued to benefit from a hard-disk drive shortage. **Qualcomm** posted impressive results and raised guidance on the back of strong demand for smartphones. **Green Mountain Coffee Roasters,** maker of Keurig coffee machines, jumped on strong K-Cup sales as management believes pod sales could grow to $1 billion annually. In merger news, **Pep Boys-Manny Moe & Jack** agreed to be acquired by private-equity for a 24% premium. Looking ahead to next week, **Coca-Cola**, **Emerson Electric**, **Walt Disney**, **Visa**, **PepsiCo** and **Cisco** are scheduled to report results. A busy earnings week and news out of Europe will likely drive markets in the coming week. For investors looking longer term, equities continue to look attractive on a fundamental basis despite the recent run up in prices as corporate profits continue to grow.