First Trust

Market Watch

Week of June 11th

Stock Index Performance

Index	Week	YTD	12-mo.	2011	5-yr.
Dow Jones Industrial Avg. (12,554)	3.62%	4.03%	7.11%	8.41%	1.45%
S&P 500 (1,326)	3.77%	6.43%	5.91%	2.12%	-0.39%
NASDAQ 100 (2,559)	4.12%	12.91%	14.82%	3.69%	6.87%
S&P 500 Growth	3.55%	7.29%	8.89%	4.70%	2.54%
S&P 500 Value	4.04%	5.41%	2.78%	-0.48%	-3.37%
S&P MidCap 400 Growth	3.17%	6.60%	-0.35%	-0.95%	3.97%
S&P MidCap 400 Value	3.57%	5.32%	-0.08%	-2.40%	0.34%
S&P SmallCap 600 Growth	3.93%	5.61%	3.48%	3.67%	3.06%
S&P SmallCap 600 Value	3.87%	3.53%	3.50%	-1.34%	-0.43%
MSCI EAFE	2.54%	-2.85%	-17.61%	-12.14%	-6.73%
MSCI World (ex US)	2.24%	-2.30%	-17.82%	-13.71%	-5.05%
MSCI World	3.17%	1.80%	-6.54%	-5.54%	-3.51%
MSCI Emerging Markets	1.44%	0.13%	-18.81%	-18.42%	0.21%

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 6/8/12.

S&P Sector Performance

Index	Week	YTD	12-mo.	2011	5-yr.
Consumer Discretionary	3.99%	11.68%	15.56%	6.24%	3.74%
Consumer Staples	2.61%	5.64%	12.97%	14.03%	7.50%
Energy	3.98%	-5.96%	-9.54%	4.72%	0.59%
Financials	4.76%	9.22%	-2.38%	-17.07%	-15.64%
Health Care	3.07%	6.21%	6.89%	12.77%	2.53%
Industrials	3.33%	3.95%	0.70%	-0.59%	-0.56%
Information Technology	4.29%	11.65%	15.14%	2.43%	4.58%
Materials	4.47%	4.02%	-4.18%	-9.68%	-0.37%
Telecom Services	2.78%	11.89%	14.64%	6.33%	0.67%
Utilities	3.18%	3.54%	16.11%	20.02%	2.84%

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 6/8/12.

Bond Index Performance

Index	Week	YTD	12-mo.	2011	5-yr.
U.S. Treasury: Intermediate	-0.39%	1.08%	4.79%	6.57%	6.09%
GNMA 30 Year	0.02%	1.60%	5.54%	7.97%	7.21%
U.S. Aggregate	-0.53%	2.08%	6.43%	7.84%	6.86%
U.S. Corporate High Yield	0.58%	5.12%	4.68%	4.98%	7.80%
U.S. Corporate Investment Grade	-0.80%	3.82%	7.68%	8.15%	7.63%
Municipal Bond: Long Bond (22+)	-0.64%	6.19%	15.33%	14.88%	5.63%
Global Aggregate	-0.50%	0.82%	1.21%	5.64%	6.68%

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 6/8/12.

Key Rates

As of 6/8/12

Fed Funds	0.00-0.25%	5-yr CD	1.38%
LIBOR (1-month)	0.24%	2-yr T-Note	0.26%
CPI - Headline	2.30%	5-yr T-Note	0.71%
CPI - Core	2.30%	10-yr T-Note	1.63%
Money Market Accts.	0.48%	30-yr T-Bond	2.75%
Money Market Funds	0.03%	30-yr Mortgage	3.67%
6-mo CD	0.46%	Prime Rate	3.25%
1-yr CD	0.71%	Bond Buyer 40	4.41%

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

Market Indicators

As of 6/8/12

TED Spread	40 bps
Investment Grade Spread (A2)	254 bps
ML High Yield Master II Index Spread	695 bps

Sources: Bloomberg and Merrill Lynch via Bloomberg.

Weekly Fund Flows

Estimated Flows to Long-Term Mutual Funds for the Week Ended 5/30/12

	Current Week		Previous	
Domestic Equity	$807	Million	-$7.199	Billion
Foreign Equity	$678	Million	$184	Million
Taxable Bond	-$920	Million	$1.902	Billion
Municipal Bond	$603	Million	$888	Million

Change in Money Market Fund Assets for the Week Ended 6/6/12

	Current Week		Previous	
Retail	$2.88	Billion	-$4.27	Billion
Institutional	-$10.92	Billion	$12.13	Billion

Source: Investment Company Institute

Factoids for the week of June 4th – 8th

Monday, June 4, 2012

The bank default rate on commercial real estate loans for Q1'12 fell to its lowest level in nearly three years, according to REIT.com. The default rate stood at 3.45%, down from 4.20% in Q1'11, according to data from Chandan Economics. The biggest improvement in loan performance came from the multifamily sector (apartments). Among banks with at least $10 million in apartment loans at the close of 2011, 60% reported a lower apartment default rate in Q1'12 than in Q4'11. While bank lending to commercial real estate borrowers was essentially flat in Q1'12, apartment lending did rise.

Tuesday, June 5, 2012

A college degree continues to be a difference maker in the U.S. even though it is a costly endeavor. Overall, student loans outstanding total more than $1 trillion. The average student debt load in 2011 was $23,300, according to *The New York Times*. It estimates that roughly 67% of bachelor's degree recipients borrow money to attend college, up from 45% in 1993. The unemployment rate for college graduates fell from 4.0% to 3.9% in May, according to the Bureau of Labor Statistics. The unemployment rate for workers with high school degrees increased from 7.9% to 8.1%, just below the national average of 8.2%. That figure tracks all workers, including those who don't even have a high school diploma.

Wednesday, June 6, 2012

Data from the Federal Reserve shows that U.S. companies were holding $2.2 trillion in cash and equivalents at the close of 2011, up from $1.5 trillion at the end of 2007, according to *Fortune.com*. A new study (*Multinationals and the High Cash Hoarding Puzzle*) due out this week from the National Bureau of Economic Research reveals that U.S. companies are hoarding more cash than companies based in the 45 other nations included in the study. The study found that U.S. companies really began boosting their cash holdings after the Internet bubble burst in 2000. They did so primarily to attract investors seeking safety. One interesting angle disclosed in the study is that companies hoarding cash have felt less threatened in recent years by corporate raiders specifically targeting companies with big cash positions because there are less of them.

Thursday, June 7, 2012

The U.S. dollar posted a gain of 11.3% versus a basket of major currencies for the 12-month period ended 6/6/12, as measured by the U.S. Dollar Index (DXY). The dollar accounts for over 80% of all foreign-exchange transactions, more than 50% of all international trade invoices and 67% of central bank reserves, according to SmartMoney.com. While some argue the dollar will one day lose its standing as the world's reserve currency, for now investors continue to value the safety and liquidity of the U.S.'s capital markets.

Friday, June 8, 2012

Moody's reported that the *global speculative-grade* default rate stood at 2.7% in May, up from 2.6% in April, according to Bloomberg. Moody's is forecasting a default rate of 3.1% for December 2012. It sees the rate at 3.0% in May 2013. The historical average for the default rate on speculative-grade debt has been 4.8% since 1983. The *U.S. speculative-grade* default rate stood at 3.1% in May, up from 3.0% in April. The rate was 2.7% a year ago. The default rate on senior loans stood at 0.92% in May, down from 0.93% in April, according to Standard & Poor's LCD. LCD's latest quarterly buyside survey of leveraged loan managers produced an average default rate estimate of 1.6% for the end of 2012 and 2.7% for 2013. The historical average by number is 3.4%.