First Trust

Weekly Market Commentary & Developments

Week Ended October 11th, 2013

US Economy and Credit Markets

Yields and Weekly Changes:

3 Mo. T-Bill:	0.06 (+04 bps)	GNMA (30 Yr) 6% Coupon:	110-18/32 (2.54%)
6 Mo. T-Bill:	0.07 (+03 bps)	Duration:	3.61 years
1 Yr. T-Bill:	0.13 (+03 bps)	30-Year Insured Revs:	142.7% of 30 Yr. T-Bond
2 Yr. T-Note:	0.35 (+02 bps)	Bond Buyer 40 Yield:	5.17 (+04 bps)
3 Yr. T-Note:	0.67 (+04 bps)	Crude Oil Futures:	101.88 (-1.96)
5 Yr. T-Note:	1.42 (+01 bps)	Gold Futures:	1,269.90 (-39.8)
10 Yr. T-Note:	2.69 (+04 bps)	Merrill Lynch High Yield Indices:	
30 Yr. T-Bond:	3.74 (+02 bps)	U.S. High Yield:	6.69% (-03 bps)
		BB:	5.29% (-04 bps)
		B:	6.67% (-04 bps)

Early in the week Short-Term U.S. debt prices fell amid investor concern about a potential government-debt default. The one-month U.S. Treasury bill yield rose, at one point above .35%, to its highest since the 2008 financial crisis. Thursday and Friday saw Short-Term prices recovering slightly. Movement on the longer term denominated debt was more muted. Early in the week, U.S. offerings of three and 10 year notes saw lighter demand than would normally be expected but Thursday's sale of 30-year bonds had strong demand, as amid the uncertainty; Treasuries are still being considered safe. Overall, Treasuries were higher this week as investors continue to speculate about the duration of the government shutdown and if an accord will be reached extending the Federal Debt limit. The U.S. Treasury is expected to run out of funds Thursday, October 17 if no accord is reached. Wednesday, the Mortgage Bankers Association (MBA) showed Mortgage Applications rising 1.3% over the prior week and while Thursday and Friday's economic releases were not favorable the markets were more focused on the debt ceiling negotiations. On Thursday, US Initial Jobless Claims rose to 374,000 vs. an expected 311,000. Friday's University of Michigan Consumer Confidence survey came in lower than anticipated. For the prior week, and going forward during the government shutdown, no CPI, industrial production, housing starts, building permits or EIA data will be released. The fed will continue to operate during the shutdown. Major economic reports (and related consensus forecasts) still scheduled to be release during the shutdown for this upcoming week include: Tuesday: October Empire Manufacturing (7.4); Wednesday: MBA Mortgage Applications; Thursday: Initial Jobless Claims (335K); Friday: Leading Index may be delayed but this is currently unclear.

US Stocks

Weekly Index Performance:

DJIA:	15,237.11	(+1.1%)
S&P 500:	1,703.20	(+0.8%)
S&P MidCap:	1,261.2	(+0.5%)
S&P Small Cap:	615.48	(+1.2%)
NASDAQ Comp:	3,791.87	(-.0.4%)
Russell 2000:	1,084.32	(+0.6%)

Market Indicators:

Strong Sectors:	Utilities, Staples, Industrials
Weak Sectors:	Discretionary, Materials, Health Care
NYSE Advance/Decline:	1,784/ 1,393
NYSE New Highs/New Lows:	260/ 168
AAII Bulls/Bears:	41.3%/ 33.6%

Equities ended a volatile week higher as lawmakers progressed towards an agreement to raise the debt ceiling and avoid a credit default. The S&P 500 jumped 2.2% on Thursday, the biggest jump in 9 months, after a House Republican proposal for a short-term increase gave investors hope of a debt deal. Economic news was light for the week as the government shut down has delayed many key data points. Janet Yellen, the architect behind the stimulus program, was nominated to replace Ben Bernanke as Fed chairman after his term ends in January. Earnings season unofficially got underway on Tuesday with **Alcoa Aluminum** beating expectations on strong end market demand in autos and aerospace. **JPMorgan Chase & Co.** reported its first ever loss under Jamie Dimon due to a $7.2 billion charge to cover mounting legal fees. However, adjusted earnings for one-time items exceeded analyst estimates as the community bank and asset management segments posted double digit growth over last year. **Wells Fargo & Co.** fared better as they posted a record profit on strength from credit cards and reserve releases. Both banks saw a major decline in mortgage sales as higher rates led to a plunge in refinancing. **Yum! Brands, Inc.** declined for the week after reducing 2013 guidance and third-quarter profits fell 68% as same-store-sales fell 11% in China due to increased competition. Looking ahead to next week, markets will continue to be led by any news out of Washington as the October 17 debt deadline approaches. We continue to believe a debt deal will happen and any sell-off is a buying opportunity. **Coca-Cola Co., Citigroup Inc., Intel Corp., BlackRock Inc., and SanDisk Corp.** are set to announce earnings next week.