First Trust

Weekly Market Commentary & Developments

Week Ended December 20th, 2013

US Economy and Credit Markets

Yields and Weekly Changes:

3 Mo. T-Bill:	0.06 (unch.)	GNMA (30 Yr) 6% Coupon:	111-20/32 (1.99%)
6 Mo. T-Bill:	0.08 (unch.)	Duration:	3.64 years
1 Yr. T-Bill:	0.13 (unch.)	30-Year Insured Revs:	141.4% of 30 Yr. T-Bond
2 Yr. T-Note:	0.38 (+05 bps)	Bond Buyer 40 Yield:	5.13 (+01 bps)
3 Yr. T-Note:	0.73 (+06 bps)	Crude Oil Futures:	99.14 (+2.54)
5 Yr. T-Note:	1.68 (+15 bps)	Gold Futures:	1,205.10 (-30.60)
10 Yr. T-Note:	2.89 (+02 bps)	Merrill Lynch High Yield Indices:	
30 Yr. T-Bond:	3.82 (-05 bps)	U.S. High Yield:	6.34% (-04 bps)
		BB:	5.07% (-01 bps)
		B:	6.35% (-04 bps)

Treasury prices ended the week lower after the Federal Reserve announced that the bond-buying program of $85 billion per month would be reduced by $10 billion each month beginning in January. The Federal Reserve also announced that they are committed to keeping the key policy rate near zero well past the time that the unemployment rate is below 6.5%. This caused Treasury yields to rise only modestly on Wednesday, the day of the announcement, as the decision was expected and yields have risen recently in anticipation of the announcement. However, there has been a twist in the yield curve as yields on the 30-year Treasury are lower as investors added much more duration on Friday, driving prices higher again. Economic data was also generally positive for the week as data showed improvement in manufacturing, productivity and industrial output on Monday. Housing permits and starts came in higher than expected for October and November on Wednesday. Annualized GDP came in much higher than expected on Friday causing the equity markets to rally and shorter term Treasury prices to drop and longer term prices to rise. Major economic reports (and related consensus forecasts) for following holiday shortened week include: Monday: November Personal Income (0.5%), November Personal Spending (0.5%), December U. of Michigan Confidence (83.0); Tuesday: November Durable Goods Orders (1.8%), November New Home Sales (438,000); December 21 Initial Jobless Claims (350,000).

US Stocks

Weekly Index Performance:

DJIA:	16221.14 (2.97%)
S&P 500:	1818.32 (2.44%)
S&P MidCap:	1318.85 (2.3%)
S&P Small Cap:	657.41 (3.26%)
NASDAQ Comp:	4104.741 (2.6%)
Russell 2000:	1146.47 (3.58%)

Market Indicators:

Strong Sectors:	Industrials, Materials, Financials
Weak Sectors:	Telecom, Information Technology, Consumer Staples
NYSE Advance/Decline:	2,361 / 851
NYSE New Highs/New Lows:	398 / 255
AAII Bulls/Bears:	47.5% / 25.1%

In a week where the Fed announced it would decrease its monthly bond buying programming by $10 billion, one might expect that stock markets across the globe would be negatively impacted. However, the exact opposite happened as all domestic markets were up significantly. The Dow returned almost 3%, while the Russell 2000 returned more than 3.5%. In a week, where most equity investors were winners, gold investors could not share the same enthusiasm. Gold prices were down nearly 3% for the week. The precious metal closed at $1,203.24 per ounce Friday, down more than 36% from its all-time high in September of 2011. Christmas is coming a few days early for **Apple**. **China Mobile** announced a deal to carry Apple's handsets beginning in January. This could be a significant benefit for Apple, as China Mobile boasts having 760 million subscribers. Also big winners were one of Apple's biggest competitors, **Blackberry**. Despite reporting a $4.4 billion loss in their third quarter, John Chen, their CEO, remained upbeat saying the company "has a really good shot" at turning a profit in 2016. Shares advanced 18.75% last week. It was announced late Friday that regulators will delay increasing the fees it charges **Fannie Mae** and **Freddie Mac** to insure mortgages. The fee increases would likely make it more expensive for homeowners to obtain a mortgage. Looking ahead, markets will close early Tuesday for Christmas Eve and be closed across the globe to celebrate Christmas on Wednesday. We expect a slow week for news and markets as we move into the holiday.