First Trust

Market Watch

Week of January 13th

Stock Index Performance

Index	Week	YTD	12-mo.	2013	5-yr.
Dow Jones Industrial Avg. (16,437)	-0.15%	-0.77%	25.04%	29.65%	16.98%
S&P 500 (1,842)	0.63%	-0.27%	27.82%	32.38%	18.16%
NASDAQ 100 (3,565)	0.75%	-0.72%	31.82%	36.94%	25.23%
S&P 500 Growth	0.86%	-0.21%	28.46%	32.75%	19.27%
S&P 500 Value	0.39%	-0.34%	27.15%	31.97%	17.03%
S&P MidCap 400 Growth	1.14%	0.42%	28.33%	32.68%	23.47%
S&P MidCap 400 Value	1.21%	0.62%	30.42%	34.25%	21.16%
S&P SmallCap 600 Growth	0.17%	-0.74%	36.52%	42.68%	23.50%
S&P SmallCap 600 Value	-0.23%	-0.97%	34.78%	39.98%	21.14%
MSCI EAFE	0.63%	-0.26%	19.23%	22.78%	12.04%
MSCI World (ex US)	0.17%	-0.98%	11.34%	15.29%	12.23%
MSCI World	0.56%	-0.34%	22.55%	26.68%	14.86%
MSCI Emerging Markets	-0.95%	-3.23%	-7.67%	-2.60%	13.85%

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 1/10/14.

S&P Sector Performance

Index	Week	YTD	12-mo.	2013	5-yr.
Consumer Discretionary	0.05%	-0.70%	38.02%	43.08%	27.40%
Consumer Staples	0.01%	-1.25%	21.34%	26.14%	16.30%
Energy	0.05%	-1.51%	19.51%	25.05%	13.00%
Financials	0.73%	0.88%	30.66%	35.59%	15.70%
Health Care	2.69%	2.33%	38.24%	41.46%	19.17%
Industrials	0.33%	-0.69%	35.07%	40.64%	19.65%
Information Technology	0.41%	-1.09%	24.40%	28.43%	21.15%
Materials	-0.23%	-1.12%	19.49%	25.60%	17.88%
Telecom Services	-1.16%	-2.41%	5.68%	11.47%	12.88%
Utilities	2.48%	0.61%	12.50%	13.21%	10.31%

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 1/10/14.

Bond Index Performance

Index	Week	YTD	12-mo.	2013	5-yr.
U.S. Treasury: Intermediate	0.32%	0.35%	-0.74%	-1.34%	2.22%
GNMA 30 Year	1.01%	0.96%	-0.92%	-2.17%	4.00%
U.S. Aggregate	0.67%	0.72%	-0.98%	-2.02%	4.51%
U.S. Corporate High Yield	0.49%	0.66%	6.84%	7.44%	17.55%
U.S. Corporate Investment Grade	0.80%	1.01%	-0.24%	-1.53%	8.61%
Municipal Bond: Long Bond (22+)	1.56%	1.63%	-5.00%	-6.01%	7.87%
Global Aggregate	0.63%	0.41%	-1.61%	-2.60%	4.08%

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 1/10/14.

Key Rates

As of 1/10/14

Fed Funds	0.00-0.25%	5-yr CD	1.34%
LIBOR (1-month)	0.16%	2-yr T-Note	0.37%
CPI - Headline	1.20%	5-yr T-Note	1.62%
CPI - Core	1.70%	10-yr T-Note	2.86%
Money Market Accts.	0.45%	30-yr T-Bond	3.80%
Money Market Funds	0.01%	30-yr Mortgage	4.46%
6-mo CD	0.40%	Prime Rate	3.25%
1-yr CD	0.69%	Bond Buyer 40	5.03%

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

Market Indicators

As of 1/10/14

TED Spread	20 bps
Investment Grade Spread (A2)	154 bps
ML High Yield Master II Index Spread	396 bps

Sources: Bloomberg and Merrill Lynch via Bloomberg.

Weekly Fund Flows

Estimated Flows to Long-Term Mutual Funds for the Week Ended 12/31/13

	Current Week		Previous	
Domestic Equity	$3.315	Billion	$254	Million
Foreign Equity	$2.688	Billion	$1.531	Billion
Taxable Bond	-$404	Million	-$2.188	Billion
Municipal Bond	-$2.447	Billion	-$1.401	Billion

Change in Money Market Fund Assets for the Week Ended 1/8/14

	Current Week		Previous	
Retail	$2.09	Billion	$2.37	Billion
Institutional	-$6.26	Billion	$21.67	Billion

Source: Investment Company Institute.

Factoids for the week of January 6 - 10, 2014

Monday, January 6, 2014
Data (preliminary) compiled by the Rockefeller Institute shows that total state tax collections rose 6.1% (y-o-y) in Q3'13, the 15th consecutive quarter in which revenues were up, according to its own release. Forty-one of the 47 states that have reported results experienced gains in tax revenues. Personal income, sales and corporate tax revenues were up 5.3%, 5.6% and 1.9%, respectively. A few of the states with the highest y-o-y increase in total tax collections were California (+12.5%), Wisconsin (+11.7%), Texas (+11.4%) and New Hampshire (+11.4%). Despite a few high profile municipal bond defaults, such as Detroit's bankruptcy filing, the number of bond issues that defaulted in the S&P Municipal Bond Index actually fell for the third straight year in 2013, according to S&P Dow Jones Indices. The number of defaults in each year were as follows: 2013 (23 issues/0.107% default rate); 2012 (30 issues/0.144% default rate); and 2011 (46 issues/0.227% default rate).

Tuesday, January 7, 2014
The S&P Dow Jones Indices, which tracks approximately 10,000 U.S. traded stocks, announced that total stock dividend distributions (excludes special and extra one-time dividend payments) increased by a net $12.7 billion (y-o-y) in Q4'13, up 51.2% from the $8.4 billion increase in Q4'12, according to its own release. Dividends increased $56.7 billion in 2013, up more than 10% (y-o-y). In Q4'13, 885 companies increased their dividend payouts, down 30% from the tax incentivized (tax rates on top marginal tax bracket were set to rise beginning in 2013) 1,266 increases in Q4'12, but up 36.4% from the 649 increases in Q4'11. The number of companies decreasing their dividend payouts fell from 154 in Q4'12 to 51 in Q4'13. In 2013, there were 2,895 dividend increases, up from 2,887 in 2012, and 299 decreases/suspensions, up from 275. The dividend payout rate, which has historically averaged 52%, stood at 36% in Q4'13.

Wednesday, January 8, 2014
TrimTabs Investment Research reported that investors liquidated a record $86 billion from U.S. bond mutual funds and ETFs in 2013, according to *Barron's*. It topped the previous record of $62 billion set in 1994. Bond funds endured seven consecutive months of net outflows ($196 billion) to close 2013. The last time that bond funds experienced a year of net outflows was 2004. While substantial, the outflows represent just a sliver of the $1.2 trillion of net inflows from 2009 through 2012. Citi Private Bank released its 2014 outlook calling for income investors to reduce duration exposure and favor credit risk over interest-rate risk, according to *Barron's*. Citi advocates diversifying via MLPs, REITs, dividend-paying stocks and floating rate investments.

Thursday, January 9, 2014
The American Bankers Association (ABA) reported that delinquencies (behind by at least one monthly payment) on consumer loans hit an all-time low in Q3'13, according to the *Los Angeles Times*. A composite ratio of eight installment loan categories, including home equity loans, lines of credit, personal and car loans, declined from 1.76% in Q2'13 to 1.63%, well below the 15-year average of 2.35%. James Chessen, chief economist at the ABA, cites the slow but steady improvement in the labor market as one of the key drivers of the deleveraging process. Chessen also believes that consumers deserve a lot of credit for changing their mindset towards taking on debt following the financial crisis and sees it as a positive for the economy as well as for bank balance sheets.

Friday, January 10, 2014
Moody's reported that the global speculative-grade default rate stood at 2.6% in December, down from 2.7% in November, according to its own release. Moody's is forecasting a default rate of 2.3% for December 2014. The historical average for the default rate on speculative-grade debt has been approximately 4.7% since 1983. The U.S. speculative-grade default rate stood at 2.2% in December, down from 2.4% in November. The default rate on senior loans stood at 1.61% in December, up from 1.48% in November, according to Standard & Poor's LCD. Leveraged loan portfolio managers expect the default rate to be in the vicinity of 2.0% by the end of 2014 and 2.5% around the close of 2015, remaining below the historical average of 3.2%.