First Trust

Weekly Market Commentary

Week Ended October 10, 2014

US Economy and Credit Markets

Yields and Weekly Changes:

3 Mo. T-Bill:	0.01 (unch.)	GNMA (30 Yr) 6% Coupon:	112-24/32 (1.40%)
6 Mo. T-Bill:	0.04 (unch)	Duration:	3.68 years
1 Yr. T-Bill:	0.08 (-01 bps)	30-Year Insured Revs:	175.4% of 30 Yr. T-Bond
2 Yr. T-Note:	0.43 (-13 bps)	Bond Buyer 40 Yield:	4.33 (-06 bps)
3 Yr. T-Note:	0.88 (-15 bps)	Crude Oil Futures:	85.82 (-3.92)
5 Yr. T-Note:	1.53 (-18 bps)	Gold Futures:	1,221(28.8)
10 Yr. T-Note:	2.29 (-15 bps)	Merrill Lynch High Yield Indices:	
30 Yr. T-Bond:	3.01 (-11 bps)	U.S. High Yield:	6.54% (-15 bps)
		BB:	5.13% (10 bps)
		B:	6.64% (21 bps)

Treasury prices rose for the fourth consecutive week, with 10-year yields dropping the most in over a year. The increase in price was due to speculation that slowing global economic growth will lead to the Federal Reserve postponing interest rate increases. On Wednesday, Mortgage Applications beat expectations and rose for the first time in three weeks due to an improving job market. On Thursday, the number of people filing for unemployment benefits unexpectedly declined to its lowest level in eight-years. Rising demands caused companies to retain workers and increase headcounts. The Bloomberg Consensus Index saw its largest increase since 2007, as households grew more optimistic about the economy and buying climate. On Friday, the September Import Price Index fell for the third consecutive month. Falling oil prices have been the primary factor for each of the monthly declines, declining 5% from the prior week. Wednesday: October 10 MBA Mortgage Applications; October Empire Manufacturing (21), September Retail Sales Advance (-0.1% MoM), September PPI Final Demand (0.1% MoM); Thursday: October 11 Initial Jobless Claims (290K); September Industrial Production (0.4% MoM); Friday: September Housing Starts (1005K), October University of Michigan Confidence (84.1).

US Equities

Weekly Index Performance:		Market Indicators:	
DJIA:	16,544.10 (-2.70%)	Strong Sectors:	Utilities, Consumer Staples
S&P 500:	1,906.13 (-3.09%)		Telecom Services
S&P Midcap:	1,304.59 (-4.36%)	Weak Sectors:	Energy, Industrials
S&P Smallcap:	610.90 (-3.98%)		Materials
NASDAQ Comp:	4,276.24 (-4.45%)	NYSE Advance/Decline:	801 / 2,453
Russell 2000:	1,053.32 (-4.64%)	NYSE New Highs/New Lows:	103 / 565
		AAII Bulls/Bears:	39.9% / 31.0%

Stocks ended a volatile week lower, the third straight week of declines, on concern that international growth is slowing. Sentiment is turning negative globally as the International Monetary Fund cut its global growth forecast and warned of "frothy" valuations in equities due to extended low interest rates in developed nations. In addition, a report by four economic institutes showed Germany's economy is nearing a recession. In stock news, **AGCO Corp**., an agricultural-equipment manufacturer with most of its revenue overseas, reduced full-year guidance for the second time due to lower demand in all regions and a strong dollar. **Yum! Brands Inc.** posted better-than-expected profits as poultry prices remain reasonable compared to beef. However, sales declined versus last year as same-store sales fell by 14 percent in China after a second food-safety scare. **Costco Wholesale Corp.** fared better as net income increased by 13 percent on strong comparable store sales. Tech giants **Hewlett-Packard Co.** and **Symantec Corp.** both announced plans to split their languishing storage businesses from the rest of the company. **Alcoa Inc.** unofficially kicked off earnings season on Wednesday with their highest profits in three years due to strong demand from car, plane and truck manufactures. Next week will bring earnings from many bellwether names. Earnings expectations for the 3rd quarter have been falling as corporate profits will be crimped by slowing international growth and a strong dollar. In addition, energy profits will be hurt by the recent drop in oil prices. However, longer term corporate profits will benefit from lower commodity costs. Higher quality cyclical names with limited exposure to international markets could be attractive to patient investors as many of these names have sold off unfairly in the current risk-off environment.