First Trust

Weekly Market Commentary

Week Ended June 6th, 2014

US Economy and Credit Markets			
Yields and Weekly Changes:			
3 Mo. T-Bill:	0.03 (+01 bps)	GNMA (30 Yr) 6% Coupon:	112-19/32 (1.61%)
6 Mo. T-Bill:	0.05 (+01 bps)	Duration:	3.56 years
1 Yr. T-Bill:	0.09 (+01 bps)	30-Year Insured Revs:	153.4% of 30 Yr. T-Bond
2 Yr. T-Note:	0.40 (+03 bps)	Bond Buyer 40 Yield:	4.55 (+05 bps)
3 Yr. T-Note:	0.83 (+05 bps)	Crude Oil Futures:	102.66 (-0.05)
5 Yr. T-Note:	1.64 (+10 bps)	Gold Futures:	1,252.1 (+6.50)
10 Yr. T-Note:	2.59 (+11 bps)	Merrill Lynch High Yield Indices:	
30 Yr. T-Bond:	3.43 (+11 bps)	U.S. High Yield:	5.81% (-14 bps)
		BB:	4.63% (+05 bps)
		B:	5.89% (-06 bps)

Treasury prices dropped significantly over the course of the week on major economic reports and central bank decisions. On Monday, the manufacturing report was said to be incorrect and suggested stronger growth than initially reported. Treasury yields then climbed to their highest level since March on Tuesday as it was anticipated that the European Central Bank would announce easing measures later in the week. The slide in Treasury prices continued on Wednesday as yields had their first five-day rise since last June. The Federal Reserve released it Beige Book that showed steady, although sluggish economic growth. The drop in Treasury prices was snapped on Thursday as the ECB announced that it would set an interest rate of -0.1%, which would be charging banks to park their money at the central bank. This was an extreme, unprecedented move which caused yields to drop and the equity market to rally on easy central bank monetary policy. On Friday, Treasury prices dropped once again on better than expected monthly jobs data capping off the biggest weekly rise in 10-year yields since last September. Major economic reports (and related consensus forecasts) for the upcoming week include: Monday: April Wholesale Inventories (0.5% MoM); Tuesday: June 6 MBA Mortgage Applications; Wednesday: May Advance Retail Sales (0.6% MoM), June 7 Initial Jobless Claims (309,000), June 8 Bloomberg Consumer Comfort; Thursday: May Producer Price Index Final Demand (0.1% MoM, 2.4% YoY); June U. of Michigan Confidence (83.0).

US Equities				
Weekly Index Performance:			Market Indicators:	
DJIA:	16,924.28	(+1.24%)	Strong Sectors:	Financials, Industrials, Cons Discretionary
S&P 500:	1,949.44	(+1.34%)		
S&P Midcap:	1,410.43	(+2.35%)	Weak Sectors:	Telecom, Cons Staples, Health Care
S&P Smallcap:	671.26	(+2.79%)		
NASDAQ Comp:	4,321.40	(+1.86%)	NYSE Advance/Decline:	2,093/ 1,135
Russell 2000:	1,165.21	(+2.71%)	NYSE New Highs/New Lows:	574/66
			AAII Bulls/Bears:	39.5% / 38.3%

Equities gained to yet another record high as the S&P 500 reached new heights in four out of five trading days for the week. The continued momentum was led by ECB's further stimulus measures to fight disinflation and weak projected growth. The ECB's moves included a negative rate for deposits, the first ever negative rate for a major central bank, a decrease in the benchmark rate to 0.15 percent from 0.25 percent, a 400-billion-euro liquidity channel to spur bank lending and a pledge to do more if needed. In U.S. economic news, equities initially sold-off after a wrong ISM Manufacturing Index reading, but later recovered as the true number showed strong expansion. In addition to a strong ISM reading, non-farm payrolls were slightly better-than-expected and the May total vehicle sales blew away estimates as the harsh winter created pent up demand for car buyers. In merger news, **Hillshire Brands Co.** continued its meteoric rise as **Pilgrim's Pride Corp.** plans to raise its bid in an effort to best **Tyson Foods Inc.** offer. **Sprint Corp.** declined following reports that the company had tentatively agreed to merge with **T-Mobile US, Inc.** to better compete with **AT&T Inc.** and **Verizon Communications Inc.** However, the deal faces regulatory risk as there are few players in mobile telephones. With further global stimulus, global equities continue to look appealing relative to bonds as Eurozone benchmark rates have never been lower. Despite a reduction in tapering, U.S. stimulus also remains extremely accommodative.