First Trust — Market Watch

Week of August 11th

Stock Index Performance

Index	Week	YTD	12-mo.	2013	5-yr.
Dow Jones Industrial Avg. (16,554)	0.47%	1.24%	9.33%	29.65%	15.01%
S&P 500 (1,932)	0.40%	5.78%	16.16%	32.38%	16.24%
NASDAQ 100 (3,888)	0.32%	9.12%	25.91%	36.94%	20.55%
S&P 500 Growth	0.39%	6.09%	18.51%	32.75%	17.14%
S&P 500 Value	0.41%	5.44%	13.71%	31.97%	15.33%
S&P MidCap 400 Growth	0.88%	1.23%	11.24%	32.68%	17.92%
S&P MidCap 400 Value	0.95%	6.04%	15.04%	34.25%	17.53%
S&P SmallCap 600 Growth	1.61%	-3.08%	10.46%	42.68%	18.49%
S&P SmallCap 600 Value	1.20%	0.28%	12.28%	39.98%	17.19%
MSCI EAFE	-2.44%	-0.54%	8.88%	22.78%	8.37%
MSCI World (ex US)	-2.09%	1.59%	10.44%	15.29%	7.94%
MSCI World	-0.84%	3.09%	12.86%	26.68%	12.05%
MSCI Emerging Markets	-1.34%	6.18%	13.24%	-2.60%	6.70%

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 8/8/14.

S&P Sector Performance

Index	Week	YTD	12-mo.	2013	5-yr.
Consumer Discretionary	1.13%	0.04%	11.88%	43.08%	22.17%
Consumer Staples	1.01%	3.60%	7.93%	26.14%	15.89%
Energy	0.83%	9.34%	18.50%	25.05%	14.91%
Financials	0.73%	3.30%	11.10%	35.59%	11.07%
Health Care	-0.60%	10.05%	20.45%	41.46%	19.33%
Industrials	0.81%	0.51%	16.35%	40.64%	18.07%
Information Technology	-0.09%	9.99%	25.57%	28.43%	16.57%
Materials	1.03%	7.71%	22.33%	25.60%	13.65%
Telecom Services	-2.10%	4.85%	5.70%	11.47%	14.17%
Utilities	0.01%	11.09%	9.26%	13.21%	12.09%

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 8/8/14.

Bond Index Performance

Index	Week	YTD	12-mo.	2013	5-yr.
U.S. Treasury: Intermediate	0.22%	1.80%	1.51%	-1.34%	3.12%
GNMA 30 Year	0.17%	4.05%	4.54%	-2.17%	4.27%
U.S. Aggregate	0.28%	4.20%	4.38%	-2.02%	4.76%
U.S. Corporate High Yield	0.48%	3.99%	8.40%	7.44%	11.90%
U.S. Corporate Investment Grade	0.34%	6.15%	7.26%	-1.53%	7.50%
Municipal Bond: Long Bond (22+)	0.61%	11.00%	12.33%	-6.01%	7.90%
Global Aggregate	0.32%	4.60%	4.69%	-2.60%	4.25%

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 8/8/14.

Key Rates

As of 8/8/14

Fed Funds	0.00-0.25%	5-yr CD	1.35%
LIBOR (1-month)	0.16%	2-yr T-Note	0.45%
CPI - Headline	2.10%	5-yr T-Note	1.62%
CPI - Core	1.90%	10-yr T-Note	2.42%
Money Market Accts.	0.50%	30-yr T-Bond	3.23%
Money Market Funds	0.01%	30-yr Mortgage	4.25%
6-mo CD	0.35%	Prime Rate	3.25%
1-yr CD	0.64%	Bond Buyer 40	4.49%

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

Market Indicators

As of 8/8/14

TED Spread	21 bps
Investment Grade Spread (A2)	134 bps
ML High Yield Master II Index Spread	420 bps

Sources: Bloomberg and Merrill Lynch via Bloomberg.

Weekly Fund Flows

Estimated Flows to Long-Term Mutual Funds for the Week Ended 7/30/14

	Current Week		Previous	
Domestic Equity	-$1.257	Billion	-$3.374	Billion
Foreign Equity	$1.462	Billion	$2.116	Billion
Taxable Bond	$1.137	Billion	$577	Million
Municipal Bond	$687	Million	$884	Million

Change in Money Market Fund Assets for the Week Ended 8/6/14

	Current Week		Previous	
Retail	$12.72	Billion	-$3.49	Billion
Institutional	$0.05	Billion	-$5.31	Billion

Source: Investment Company Institute.

Factoids for the week of August 4 - 8, 2014

Monday, August 4, 2014
In July, the dividend-payers (425) in the S&P 500 (equal weight) posted a total return of -2.48%, vs. -0.59% for the non-payers (76), according to Standard & Poor's. There are currently 501 stocks in the index due to the introduction of Google C shares. Year-to-date, the payers were up 7.05%, vs. a gain of 8.13% for the non-payers. For the 12-month period ended July 2014, payers were up 24.12%, vs. a gain of 23.96% for the non-payers. The number of dividend increases in July totaled 29, down from 33 a year ago. There were no decreases in July, compared to one a year ago Year-to-date, there were 254 increases, up from 252 a year ago. There were six decreases, down from 11 a year ago. Year-to-date through June, Equity Income mutual funds reported net cash outflows totaling approximately $3.2 billion ($800 million of net outflows in June), while Equity Income ETFs experienced net cash inflows totaling approximately $1.95 billion ($1.22 billion of net inflows in June), according to data from Lipper.

Tuesday, August 5, 2014
As of yesterday's close, the S&P 500 had gone 1,035 days (10/3/11-Present) without experiencing a 10% correction. That is the fifth longest stretch in the history of the index, according to Bespoke Investment Group. The fourth longest was 1,127 days (7/24/84-8/25/87). The longest was 2,553 days (10/11/90-10/7/97). Sam Stovall, chief stock strategist at S&P Capital IQ, points out that the market has experienced 20 sell-offs of 10.00% to 19.99% (correction territory) since World War II, according to *Kiplinger*. Despite those 20 corrections, large-capitalization stocks have returned 11.1% (annualized) since the end of the war, according to Stovall. He notes that it typically takes an average of four months for the market to break even after a correction.

Wednesday, August 6, 2014
The U.S. workforce has never been older, according to *Businessweek*. Data from the Bureau of Labor Statistics indicates that the share of workers ages 55 and over stood at 22.2% in July, the highest mark since record-keeping began in 1948. The percentage of older workers was below 12% in the early 1990s. The shift has a lot to do with the size of the baby boomer population. The peak birth year of the baby boom was 1957. These individuals turned 55 in 2012. Only 21% of older workers currently have part-time jobs, down from 27% two decades ago.

Thursday, August 7, 2014
Morningstar data indicates that investors favored passive funds over actively managed funds for the 12-month period ended June 2014, according to ETF Trends. Passive funds took in 68% of all inflows, compared to 32% for actively managed funds. The 68% that flowed into passive funds was split almost equally between ETFs and open-end mutual funds. Of the $134 billion that flowed into actively managed funds, $30 billion went to target-date funds.

Friday, August 8, 2014
A report from Standard & Poor's noted that 18 American businesses held 36% of corporate wealth in 2013, up from 27% in 2009, according to Bloomberg. The bottom 80% of companies held just 11% of corporate wealth. The top 1% is comprised of multinationals that generate nearly half of their sales from overseas. A lot of the cash earned abroad is not currently coming back to the U.S. due to the 35% corporate tax rate, the highest in the industrialized world. Barring a change in the tax code, the cash will likely continue to mount overseas, according to Andrew Chang, lead author of the S&P report. In the current fiscal year, the U.S. Department of the Treasury will not be collecting an estimated $83.4 billion in tax revenue from foreign sales, according to the congressional Joint Committee on Taxation.