First Trust

Weekly Market Commentary

Week Ended October 9th, 2015

US Economy and Credit Markets

3 Mo. T-Bill:	0.00 (unch.)	GNMA (30 Yr) 6% Coupon:	113-09/32 (1.77%)
6 Mo. T-Bill:	0.07 (+02 bps)	Duration:	3.84 years
1 Yr. T-Bill:	0.25 (+01 bps)	Bond Buyer 40 Yield:	4.38 (+0.03)
2 Yr. T-Note:	0.64 (+06 bps)	Crude Oil Futures:	49.63 (+4.09)
3 Yr. T-Note:	0.95 (+10 bps)	Gold Futures:	1156.30 (+19.2)
5 Yr. T-Note:	1.40 (+10 bps)	Merrill Lynch High Yield Indices:	
10 Yr. T-Note:	2.09 (+09 bps)	U.S. High Yield:	7.82% (-54 bps)
30 Yr. T-Bond:	2.92 (+09 bps)	BB:	5.82% (-52 bps)
		B:	7.99% (+53 bps)

Bonds fell this week as the 10-year Treasury Yield settled just under 2.1% but it is down from June when it was yielding nearly 2.5% amid greater optimism regarding the economy and expectations that the Federal Reserve would raise rates. Oil nearly traded up above the $50 per barrel mark last week as a decline in North American rig counts fueled optimism that the current oversupply in the markets will begin coming into balance. Last Monday, the trade deficit in goods and services came in at $48.3 billion in August, slightly larger than the consensus expected $48.0 billion and 15.6% larger than in the prior month. The deficit expanded even as imports fell 2.2% because exports were off 6.2% amid the strengthening U.S. dollar and weakening global economic conditions. Tuesday's ISM non-manufacturing index declined to 56.9 in September from 59.0, coming in below the consensus expected 57.5 but still above 50 which signals expansion. The prior week initial jobless claims numbers were released on Thursday and were weaker than anticipated. The Federal Reserve has clearly indicated it is using both inflation and unemployment as indicators in making its decision on whether to leave rates low or consider raising them and the news of potential weakness in the jobless report, amid stubbornly low inflation, continues to leave investors wondering whether the Federal Reserve is willing, or even able, to raise rates before 2016. Major economic reports (and related consensus forecasts) for the upcoming week include: Wednesday: Prior Week MBA Mortgage Applications, September Retail Sales (unch.) and September PPI Final Demand (-.2%, -.2%); Thursday: Oct. 8 Initial Jobless Claims (268k) and September CPI (-.2%, -.1%); Friday: September Industrial Production (-.2%, +.2%) and University of Michigan preliminary October Sentiment (89, +1.8).

US Equities

Weekly Index Performance:			Market Indicators:	
DJIA:	17,084.49	(+3.75%)	Strong Sectors:	Energy, Materials, Industrials
S&P 500:	2,014.89	(+3.30%)		
S&P Midcap:	1,442.46	(+4.09%)	Weak Sectors:	Health Care, Utilities, Financials
S&P Smallcap:	687.76	(+5.06%)		
NASDAQ Comp:	4,830.47	(+2.63%)	NYSE Advance/Decline:	2,871/ 371
Russell 2000:	1,165.36	(+4.61%)	NYSE New Highs/New Lows:	115/ 53
			AAII Bulls/Bears:	37.5% / 28.2%

Equity markets posted their best weekly gain of the year as the Federal Reserve minutes, released on Thursday, showed caution over increasing interest rates even with an improving economy. The September minutes led to a relief rally in energy, emerging market stocks and commodity exposed names, while the dollar weakened. The unofficial beginning of earnings season kicked off Thursday with **Alcoa Inc.** posting a decline in profits due to weakness in aluminum prices as demand from China waned. The health care sector underperformed the broader market for the week as drug pricing practices continued to be scrutinized and biotechnology stocks sold-off. **Valeant Pharmaceuticals** fell over 10% on Monday, after the New York Times published a negative article on their drug pricing, before recovering to close down 3.5% for the week. With oil rallying and briefly trading over $50 a barrel on Friday, the energy sector posted the best gain for the week. **Whiting Petroleum Corp.** gained over 33% for the week, while Exxon Mobil's share price increased by over 4.4%. In other stock news, **Global Payments** gained 12.3% for the week after beating earnings and raising guidance on strong revenue and margin metrics. **Yum! Brands** reported earnings that missed expectations due to slowing comparable sales in China. In merger news, privately held **Dell Inc.** is offering about $33 a share to buy **EMC Corp.**, including the value of **VMware Inc.** Looking ahead to next week, **Fastenal Co., Johnson & Johnson, JPMorgan Chase & Co, Wells Fargo & Co.** and numerous other bellwethers are set to announce earnings. Estimates for the 3rd quarter have been slashed, leaving a low-bar to hurdle above. However, the recent cuts in estimates are likely justified as slowing global PMIs, a strong dollar and sluggish emerging market economies are headwinds entering into earnings season.