□First Trust

TALKING POINTS

A Recap of October 2011

The Economy

The U.S. GDP growth rate was an annualized 2.5% in Q3'11. The rate matched the concensus estimate of those economists tracked by Bloomberg. The average U.S. GDP growth rate over the past 20 years was 2.6%, according to Bloomberg. October's nonfarm payroll number showed 80,000 new jobs, a bit less than the consensus estimate of 95,000. The unemployment rate dipped to 9.0% from 9.1%. As we have noted in recent issues, risk-oriented securities and commodities seem to respond positively to any constructive talk out of Europe with respect to finalizing a plan to stabilize the debt crisis in Greece. In October, stocks, speculative-grade debt, gold and oil all posted strong moves to the upside. Short interest and the VIX Index both eased.







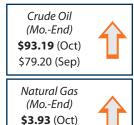
U.S. Dollar Index

(DXY)

-3.0% (Oct)

-3.6% (2011)

\$ was down 1.1% in '10



\$3.67 (Sep)









One hundred and thirty out of the 132 subsectors (98%) that comprise the S&P 500 posted a gain in

October, up from 6 (5%) last month, according to S&P. Materials was the top performing sector, up

17.7%. In October, the dividend-payers (392) in the S&P 500 (equal weight) posted a total return of

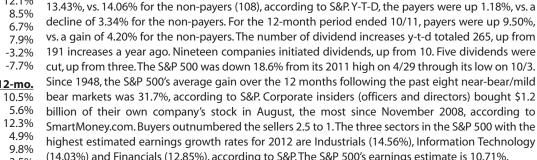
Investors poured significant amounts of capital into speculative-grade bonds in October, as evidenced by the big returns posted by high yield corporate and emerging markets debt. As mentioned above, the daily news reports from Europe have tended to weigh pretty heavily on trading. The yield on the 10-Year T-Note bounced off its recent low of 1.72% on 9/22 and spiked up to 2.40% on 10/27. It has since settled back towards the 2.00% level. There is a large disparity between the core and headline inflation rates (2.0% vs. 3.9%). The Fed tends to favor the core rate. The headline rate is more volatile because it includes food and energy costs. The Fed has stated that it intends to maintain a 0-0.25% federal funds rate until mid-2013. Investors who





The	Stock	Market
1116	OLUCK	will kei

Indices (Source: Bloomberg) Oct 12-mo. S&P 500 10.9% 8.1% DJIA 9.7% 10.4% NASDAQ 100 10.4% 12.1% S&P 400 8.5% 13.7% Russell 2000 15.1% Russell 3000 11.5% MSCI World (ex U.S.) (USD) 9.7% MSCI Emerging Markets (USD) 13.2% **Growth/Value** (Source: Bloomberg) Oct 12-mo. S&P 500 Growth 10.6% S&P 500 Value 11.3% S&P 400 Growth 13.3% S&P 400 Value 14.2% Russell 2000 Growth 15.9% 14.4% Russell 2000 Value 3.5%



Sep: 35.0 (-29.1%)

Record 7/08: 67.2 million









The Bond Market

Index (Source: Barclays)	<u>Oct</u>	<u>12-mo.</u>	<u>Yield</u>
U.S. Treasury: Intermediate	-0.23%	3.35%	0.84%
GNMA 30 Year	0.27%	6.10%	3.02%
Municipal Bond (22+)	-0.50%	4.04%	4.71%
U.S. Aggregate	0.11%	5.00%	2.37%
Intermediate Corporate	1.41%	3.64%	3.08%
U.S. Corporate High Yield	5.99%	5.17%	8.20%
Global Aggregate	1.33%	4.08%	2.47%
Global Emerging Markets	4.90%	3.41%	5.87%

Key Rates as of October 31 0-0.25% Fed Funds 2-Yr.T-Note 0.24% 10-Yr. T-Bond 2.11% 30-Yr. Mortgage 4.20% Bond Buyer 40 5.00% (Source: Bloomberg)

Key Yield Spread The spread between the Merrill Lynch High Yield Master II Index and the 10-Yr. T-Note was 641 basis points on 10/31/11. down from 771 on 9/30/11. It was 518 on 10/29/10. (Source: Bloomberg)

own Treasuries and investme	ent-grade debt should	l, in our opinion, keep o	ne eye on the CPI.		
Key Yield Spread between the Merrill Lynch	2011 Debt Issuance Through September (Source:Thomson Reuters)				
Master II Index and the 10- was 641 basis points on lown from 771 on 9/30/11.lt 10/29/10. omberg)	Debt Category Treasury Corporate Convertible Asset-Backed Municipal	\$ Amount \$1.65 Trillion \$813.1 Billion \$17.4 Billion \$95.0 Billion \$193.5 Billion	% change over '10 -7.3% +2.8% -26.1% +9.1% -35.4%		

Equity funds reported net cash outflows totaling \$12.8 billion in 9/11, vs. \$29.5 billion of outflows in 8/11, according to the Investment Company Institute. Bond fund inflows totaled \$9.5 billion, vs. \$3.5 billion of outflows in 8/11. Money Market fund outflows totaled \$10.8 billion, vs. \$71.8 billion of inflows in 8/11.Y-T-D through September, equity funds reported net outflows totaling \$63.4 billion, vs. \$87.3 billion of inflows for bond funds and \$183.0 billion of outflows for MMFs.



High/Low Snapshot

Data as of 10/31/11

Index	10-Yr. High Value	Date	10-Yr. Low Value	Date	Month-End Value	% Off High Value	YTD Return (USD)	Month-End Yield
S&P 500	1565.15	10/09/07	676.53	03/09/09	1253.30	-19.92%	1.30%	2.12%
S&P 500 Growth	730.83	10/12/07	363.99	03/09/09	678.82	-7.12%	4.46%	1.79%
S&P 500 Value	836.19	07/13/07	307.16	03/09/09	567.87	-32.09%	-1.95%	2.48%
S&P 400	1015.26	04/29/11	372.88	10/09/02	887.93	-12.54%	-1.06%	1.48%
S&P 400 Growth	465.69	07/07/11	162.27	10/09/02	411.40	-11.66%	1.80%	0.89%
S&P 400 Value	361.18	06/04/07	135.55	10/09/02	300.98	-16.67%	-3.83%	2.09%
S&P 100	729.79	10/09/07	322.13	03/09/09	563.37	-22.80%	1.38%	2.27%
DJIA	14164.53	10/09/07	6547.05	03/09/09	11955.01	-15.60%	5.45%	2.65%
NASDAQ 100	2429.50	07/22/11	804.64	10/07/02	2360.08	-2.86%	7.12%	0.97%
Russell 2000	865.29	04/29/11	327.04	10/09/02	741.06	-14.36%	-4.46%	1.65%
Russell 2000 Growth	497.75	04/29/11	169.69	10/09/02	428.87	-13.84%	-2.17%	0.81%
Russell 2000 Value	1276.63	06/04/07	469.32	03/09/09	970.76	-23.96%	-6.77%	2.49%
Russell 3000	907.58	10/09/07	389.61	03/09/09	741.66	-18.28%	0.47%	2.01%
MSCI World x U.S. (USD)	5379.90	10/31/07	1636.59	03/12/03	3880.03	-27.88%	-6.94%	N/A
MSCI Emerging Markets (USD)	473.35	10/29/07	79.55	10/10/02	386.62	-18.32%	-11.53%	N/A
Bovespa/Brazil (USD)	44638.24	05/19/08	2160.80	10/16/02	34564.76	-22.57%	-16.94%	4.29%
RTS/Russia (USD)	2487.92	05/19/08	203.52	11/02/01	1563.28	-37.17%	-10.20%	2.35%
Bombay SE 500/India (USD)	226.04	01/07/08	18.81	10/31/01	138.89	-38.55%	-21.00%	1.48%
Shanghai Composite/China (USD)	810.24	10/16/07	122.21	07/11/05	388.41	-52.06%	-6.93%	1.97%
KOSPI/South Korea (USD)	2.29	10/31/07	0.41	03/17/03	1.72	-24.99%	-4.85%	1.49%
Hang Seng (USD)	4082.25	10/30/07	1078.13	04/25/03	2557.27	-37.36%	-11.17%	3.52%
MSCI Euro (USD)	1988.53	10/31/07	598.84	03/12/03	1024.12	-48.50%	-7.67%	4.95%
S&P Consumer Discretionary	328.81	07/07/11	125.72	03/09/09	308.06	-6.31%	5.49%	1.64%
S&P Consumer Staples	333.63	05/19/11	182.72	03/10/03	319.89	-4.12%	8.04%	3.02%
S&P Energy	668.81	05/20/08	163.83	07/23/02	517.85	-22.57%	3.69%	1.94%
S&P Utilities	223.91	12/10/07	77.27	10/09/02	176.78	-21.05%	14.77%	4.04%
S&P Financials	509.55	02/20/07	81.74	03/06/09	181.58	-64.36%	-14.42%	1.80%
S&P Banks	414.38	02/20/07	49.02	03/05/09	123.85	-70.11%	-15.54%	1.86%
FTSE NAREIT Equity REITs	676.54	02/07/07	163.57	03/06/09	444.97	-34.23%	7.37%	3.67%
S&P Health Care	426.93	05/07/07	252.84	03/05/09	388.33	-9.04%	8.41%	2.26%
S&P Pharmaceuticals	442.40	11/26/01	214.50	03/03/09	315.62	-28.66%	9.28%	3.64%
NYSE Arca Biotechnology	1502.18	05/12/11	280.09	07/10/02	1171.49	-22.01%	-9.69%	0.02%
S&P Information Technology	441.36	10/31/07	172.88	10/09/02	421.55	-4.49%	5.08%	1.06%
Philadelphia Semiconductor	637.94	03/08/02	171.32	11/20/08	386.49	-39.42%	-5.18%	1.38%
S&P Telecom Services	181.06	05/31/07	79.00	09/30/02	124.16	-31.43%	1.40%	5.52%
S&P Industrials	381.16	10/09/07	132.83	03/09/09	287.77	-24.50%	-2.74%	2.40%
S&P Materials	285.91	05/16/08	102.55	10/09/02	217.03	-24.09%	-7.82%	2.38%
Philadelphia Gold & Silver	228.95	04/08/11	49.46	11/19/01	201.24	-12.10%	-10.14%	1.57%
Reuters/Jefferies CRB	473.52	07/02/08	184.72	11/06/01	319.84	-32.45%	-3.89%	N/A
Merrill Lynch Perpetual Preferred	197.85	05/08/07	51.79	03/09/09	162.36	-17.94%	5.66%	7.23%
Merrill Lynch High Yield Master II	277.73	07/26/11	106.67	10/10/02	271.95	-2.08%	4.15%	8.52%