First Trust TALKING POINTS

A Recap of June 2011

The Economy

Every calendar quarter investors pay close attention to corporate earnings reports. While the primary interest for most is whether or not a company beats its consensus estimate, there are times when investors will focus more on management's guidance for a company. We may be at a similar juncture with respect to the debate in Congress over the debt ceiling and the huge budget deficits being run by the Obama Administration. The markets, in our opinion, would benefit greatly from any guidance showing Washington's long-term commitment to deficit reduction. The commitment alone could mean more in the end than the particulars, which is what tends to fuel the fighting between politicians.

Consumer Confidence
58.5 (Jun)
60.8 (May)

Crude Oil (Mo.-End)
$95.42 (Jun)
$102.70 (May)

Personal Spending
0.0% (May)
Apr was 0.4%
UNCH.

ISM Manufacturing
55.3 (Jun)
53.5 (May)

ISM Non-Manufacturing
53.3 (Jun)
54.6 (May)

Gold (Mo.-End)
$1502.80 (Jun)
$1535.90 (May)

Natural Gas (Mo.-End)
$4.37 (Jun)
$4.67 (May)

Factory Orders
0.8% (May)
Apr was -1.2%

New Home Sales
319,000 (May)
323,000 (Apr)

Existing Home Sales
4.81M (May)
5.05M (Apr)

The Stock Market

Indices (Source: Bloomberg)	**June**	**12-mo.**
S&P 500	-1.7%	30.7%
DJIA	-1.1%	30.4%
NASDAQ 100	-2.0%	34.7%
S&P 400	-2.0%	39.4%
Russell 2000	-2.3%	37.4%
Russell 3000	-1.8%	32.4%
MSCI World (ex U.S.) (USD)	-1.4%	31.0%
MSCI Emerging Markets (USD)	-1.5%	27.8%

Growth/Value (Source: Bloomberg)	**June**	**12-mo.**
S&P 500 Citigroup Growth	-1.2%	33.6%
S&P 500 Citigroup Value	-2.1%	27.9%
S&P Midcap 400/Citigroup Growth	-1.6%	45.6%
S&P Midcap 400/Citigroup Value	-2.5%	33.4%
Russell 2000 Growth	-2.1%	43.5%
Russell 2000 Value	-2.5%	31.3%

Thirty-five out of the 133 subsectors (26%) that comprise the S&P 500 posted a gain in June, down from 66 (50%) last month, according to S&P. Utilities was the top performing sector, down 0.11%. In June, the dividend-payers (386) in the S&P 500 (equal weight) posted a total return of -1.61%, vs. -3.09% for the non-payers (114), according to S&P. Y-T-D through June, the payers were up 7.83%, vs. a gain of 7.35% for the non-payers. For the 12-month period ended June '11, payers were up 31.87%, vs. a gain of 30.55% for the non-payers. The number of dividend increases y-t-d totaled 192, up from 130 increases a year ago. Thirteen initiated dividends, up from 10 a year ago. Two were cut, up from one a year ago. S&P 500 stock buybacks totaled $89.84 billion in Q1'11, up 62.6% from the $55.26 billion executed in Q1'10, according to S&P. It was the seventh consecutive quarter companies increased their buyback activity. The Q2'11 edition of the *Investment Manager Outlook* (released 6/29), a survey of investment managers conducted by Russell Investment Group, found that 75% of managers do not expect any market impact or negative effects after the Fed terminates its QE2 program in June. Russell does not believe the Fed will raise the federal funds target rate in 2011. Managers were most bullish on Large-Cap Growth stocks, Emerging Markets equities, Technology, Health Care and Energy.

U.S. Dollar Index (USDX)
-0.5% (June)
-6.0% (2011)
$ was down 1.1% in '10

CBOE Total Equity Options (# of contracts in millions)
Jun: **37.3** (-2.9%)
May: 38.4 (-8.8%)
Record 7/08: 67.2 million

Short Interest (NYSE)
June 15: **13.5B** (+4.7%)
May 13: 12.9B (-1.5%)
Record 7/08: 18.61 billion shares

VIX Volatility Index (S&P 500)
16.52 (6/30)
15.45 (5/31)
Record 11/20/08: 80.86

The Bond Market

Index (Source: Barclays)	**June**	**12-mo.**	**Yield**
U.S. Treasury: Intermediate	-0.08%	2.73%	1.34%
GNMA 30 Year	0.25%	4.95%	3.57%
Municipal Bond (22+)	0.77%	2.46%	5.28%
U.S. Aggregate	-0.29%	3.90%	2.83%
Intermediate Corporate	-0.45%	6.42%	3.16%
U.S. Corporate High Yield	-0.97%	15.63%	7.32%
Global Aggregate	0.08%	10.51%	2.79%
Global Emerging Markets	0.70%	14.28%	5.55%

The combination of the recent soft patch in economic data and the end of the Fed's QE2 initiative may have dampened demand for U.S. corporate bonds in June, but it did not dissuade buyers of tax-free debt. Municipals posted the best return of the major debt categories in the first half of '11. The following 6-month index returns are provided by Barclays Capital: Municipal Bond: Long Bond 22+ (+5.88%); Global Emerging Markets (+5.84%); U.S. Corporate High Yield (+4.97%); Global Aggregate (+4.38%); GNMA 30 (+3.56%); Intermediate Corporate (+3.26%); U.S. Aggregate (+2.72%); and U.S. Treasury Intermediate (+2.20%). Municipal bond defaults totaled 25 ($752 million) in the first half of 2011, well below the 60 defaults valued at $2.87 billion at this point a year ago, according to the Distressed Debt Securities Newsletter.

Key Rates as of June 30

Fed Funds	0-0.25%
2-Yr. T-Note	0.46%
10-Yr. T-Bond	3.16%
30-Yr. Mortgage	4.57%
Bond Buyer 40	5.21%

(Source: Bloomberg)

Key Yield Spread

The spread between the Merrill Lynch High Yield Master II Index and the 10-Yr. T-Bond was 450 basis points on 6/30/11, up from 432 on 5/31/11. It was 626 on 6/30/10. *(Source: Bloomberg)*

2011 Debt Issuance Through May
(Source: Thomson Reuters)

Debt Category	$ Amount	% change over '10
Treasury	$930.0 Billion	+0.2%
Corporate	$578.9 Billion	+46.5%
Convertible	$13.2 Billion	-3.8%
Asset-Backed	$51.7 Billion	+2.2%
Municipal	$83.4 Billion	-51.0%

Equity funds reported net cash outflows totaling $5.0 billion in 5/11, vs. $6.8 billion of inflows in 4/11, according to the Investment Company Institute. Bond fund inflows totaled $19.6 billion, vs. $13.2 billion of inflows in 4/11. Money Market fund outflows totaled $2.7 billion, vs. $3.2 billion of outflows in 4/11. Y-T-D through May, equity funds reported net inflows totaling $36.6 billion, vs. $50.4 billion of inflows for bond funds and $84.2 billion of outflows for MMFs.

First Trust

High/Low Snapshot

Data as of 6/30/11

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	1320.64	-15.62%	6.02%	1.89%
S&P 500/Citigroup Growth	730.83	10/12/07	363.99	03/09/09	698.02	-4.49%	6.81%	1.67%
S&P 500/Citigroup Value	836.19	07/13/07	307.16	03/09/09	614.39	-26.53%	5.24%	2.12%
S&P 400	1015.26	04/29/11	372.88	10/09/02	978.64	-3.61%	8.56%	1.26%
S&P 400/Citigroup Growth	461.32	04/29/11	162.27	10/09/02	448.50	-2.78%	10.69%	0.77%
S&P 400/Citigroup Value	361.18	06/04/07	135.55	10/09/02	335.47	-7.12%	6.50%	1.77%
S&P 100	729.79	10/09/07	322.13	03/09/09	587.31	-19.52%	4.89%	2.02%
DJIA	14164.53	10/09/07	6547.05	03/09/09	12414.34	-12.36%	8.58%	2.38%
NASDAQ 100	2413.59	04/27/11	804.64	10/07/02	2325.07	-3.67%	5.23%	0.95%
Russell 2000	865.29	04/29/11	327.04	10/09/02	827.43	-4.38%	6.21%	1.37%
Russell 2000 Growth	497.75	04/29/11	169.69	10/09/02	477.13	-4.14%	8.60%	0.70%
Russell 2000 Value	1276.63	06/04/07	469.32	03/09/09	1087.82	-14.79%	3.77%	2.04%
Russell 3000	907.58	10/09/07	389.61	03/09/09	790.00	-12.96%	6.35%	1.77%
MSCI World x U.S. (USD)	5379.90	10/31/07	1636.59	03/12/03	4365.92	-18.85%	4.72%	N/A
MSCI Emerging Markets (USD)	473.35	10/29/07	75.12	09/21/01	440.84	-6.87%	0.88%	N/A
Bovespa/Brazil (USD)	44638.24	05/19/08	2160.80	10/16/02	39994.62	-10.40%	-3.89%	3.67%
RTS/Russia (USD)	2487.92	05/19/08	174.20	10/03/01	1906.71	-23.36%	9.47%	2.02%
Bombay SE 500/India (USD)	226.04	01/07/08	16.50	09/21/01	162.54	-28.09%	-8.09%	1.36%
Shanghai Composite/China (USD)	810.24	10/16/07	122.21	07/11/05	427.31	-47.26%	1.99%	1.90%
KOSPI/South Korea (USD)	2.29	10/31/07	0.36	09/17/01	1.97	-14.17%	8.88%	1.29%
Hang Seng (USD)	4082.25	10/30/07	1078.13	04/25/03	2878.27	-29.49%	-0.92%	2.92%
MSCI Euro (USD)	1988.53	10/31/07	598.84	03/12/03	1270.14	-36.13%	13.94%	3.87%
S&P Consumer Discretionary	322.58	05/12/11	125.72	03/09/09	317.89	-1.45%	8.34%	1.45%
S&P Consumer Staples	333.63	05/19/11	182.72	03/10/03	322.66	-3.29%	7.91%	3.10%
S&P Energy	668.81	05/20/08	163.83	07/23/02	559.46	-16.35%	11.38%	1.68%
S&P Utilities	223.91	12/10/07	77.27	10/09/02	170.03	-24.06%	9.10%	4.17%
S&P Financials	509.55	02/20/07	81.74	03/06/09	206.87	-59.40%	-3.04%	1.37%
S&P Banks	414.38	02/20/07	49.02	03/05/09	137.41	-66.84%	-6.90%	1.32%
FTSE NAREIT Equity REITs	676.54	02/07/07	163.57	03/06/09	463.71	-31.46%	10.62%	3.50%
S&P Health Care	426.93	05/07/07	252.84	03/05/09	410.93	-3.75%	13.93%	1.99%
S&P Pharmaceuticals	442.40	11/26/01	214.50	03/03/09	325.79	-26.36%	11.61%	3.43%
NYSE Arca Biotechnology	1502.18	05/12/11	280.09	07/10/02	1460.63	-2.77%	12.56%	1.08%
S&P Information Technology	441.36	10/31/07	172.88	10/09/02	410.91	-6.90%	2.08%	0.95%
Philadelphia Semiconductor	656.62	08/02/01	171.32	11/20/08	410.35	-37.51%	0.30%	1.24%
S&P Telecom Services	199.30	07/19/01	79.00	09/30/02	134.34	-32.59%	7.06%	4.93%
S&P Industrials	381.16	10/09/07	132.83	03/09/09	321.86	-15.56%	8.03%	1.98%
S&P Materials	285.91	05/16/08	102.55	10/09/02	245.93	-13.98%	3.73%	1.96%
Philadelphia Gold & Silver	228.95	04/08/11	49.46	11/19/01	201.13	-12.15%	-10.57%	1.36%
Reuters/Jefferies CRB	473.52	07/02/08	183.52	10/22/01	338.05	-28.61%	1.58%	N/A
Merrill Lynch Perpetual Preferred	197.85	05/08/07	51.79	03/09/09	162.52	-17.86%	5.77%	7.04%
Merrill Lynch High Yield Master II	276.97	05/20/11	106.67	10/10/02	274.00	-1.07%	4.93%	7.66%

Source: Bloomberg