First Trust

Weekly Market Commentary & Developments

Week Ended June 1, 2012

US Economy and Credit Markets

Yields and Weekly Changes:

3 Mo. T-Bill:	0.07 (-02 bps)	GNMA (30 Yr) 6% Coupon:	112-17/32 (1.47%)
6 Mo. T-Bill:	0.11 (-02 bps)	Duration:	3.65 years
1 Yr. T-Bill:	0.17 (-02 bps)	30-Year Insured Revs:	235.7 % of 30 Yr. T-Bond
2 Yr. T-Note:	0.25 (-04 bps)	Bond Buyer 40 Yield:	4.35% (-05 bps)
3 Yr. T-Note:	0.33 (-07 bps)	Crude Oil Futures:	83.26 (-7.60)
5 Yr. T-Note:	0.62 (-14 bps)	Gold Futures:	1626.0 (+57.1)
10 Yr. T-Note:	1.45 (-29 bps)	Merrill Lynch High Yield Indices:	
30 Yr. T-Bond:	2.52 (-32 bps)	BB, 7-10 Yr.:	6.43% (+23 bps)
		B, 7-10 Yr.:	7.86% (+18 bps)

Five, ten and thirty year treasury yields all plunged to record lows this week as investors sought safe haven assets amongst weakening in the European debt situation and disappointing US jobs reports. Markets were closed Monday for Memorial day and prices were relatively unchanged Tuesday as S&P Case-Shiller housing data was better than expected, but the Dallas Fed Manufacturing index dropped to a -5.1 level versus the anticipated 3.0. Wednesday saw significantly lower yields as concerns in Greece spread to Spain and Italy, who failed to sell as much debt as had been targeted. Treasuries continued their rally on Thursday as US economic data added to foreign worries. Annualized GDP was revised down as expected from 2.1% to 1.9% for the first quarter and initial jobless claims were revised upward along with growing to 13k above the projected 370k. The Chicago PMI Index also sank to 52.7 which was 4.1 lower than anticipated. Friday's movements sent yields to record lows on a sleight of negative domestic data. The unemployment rate ticked 0.1% higher than expected to 8.2% and change in nonfarm and private payrolls were both less than half of what was projected and the previous report's numbers were revised down substantially as well. ISM manufacturing and total and domestic vehicle sales were also slightly lower than consensus expectations. Major economic reports (and related consensus forecasts) for next week include: Monday: April Factory Orders (+0.2); Wednesday: the Fed's Beige Book released; Thursday: Initial Jobless Claims (380,000); Friday: April Trade Balance (-$49.5B) and April Wholesale Inventories (0.50%).

US Stocks

Weekly Index Performance:

DJIA:	12118.57 (-336.26, -2.7%)
S&P 500:	1278.04 (-39.78, -3.02%)
S&P MidCap:	896.17 (-38.39, -4.11%)
S&P Small Cap:	414.95 (-16.00, -3.71%)
NASDAQ Comp:	2747.48 (-90.05, -3.17%)
Russell 2000:	737.42 (-28.99, -3.17%)

Market Indicators:

Strong Sectors:	Utilities, Telecommunications, Technology
Weak Sectors:	Oil & Gas, Financials, Basic Materials
NYSE Advance/Decline:	588 / 2578
NYSE New Highs/New Lows:	123 / 210
AAII Bulls/Bears:	28% / 42%

Another week passes and the questions remain the same, how will investors be impacted by the turmoil in Europe? And, how can European sovereign credit issues be resolved? Thus far, there have been many attempts, but no answers. The market wasn't helped by economic data Stateside either. The US economy added jobs of only 69,000 in May, significantly missing expectations. The jobless rate now stands at 8.2%. After Friday's close the Dow stood 336 points lower, a 2.7% decrease from the previous week. Company specific news was light. Mining equipment manufacturer, **Joy Global**, met earnings expectations but reduced next year's sales and earnings guidance. The stock trades at $55.69 down from a 52 week high of $101.44. **JP Morgan** announced that CEO, Jamie Dimon, will testify before Congress on the bank's $2 billion trading loss. Congress intends to investigate the trading losses incurred by JP Morgan trader, Bruno Iksil. The company contends that it wasn't a rogue trader, but rather poor execution of a hedging strategy the bank used to reduce risk. Looking ahead, Asian and Australian markets have already closed down Monday, possibly in response to the performance of Friday's western markets. Tuesday, the ISM non-manufacturing index will report its May performance. Also on Tuesday, the London Stock Exchange will be closed to celebrate Queen Elizabeth's Diamond Jubilee. Friday, investors will learn if the US trade deficit narrowed or widened in April. While these data points have been gloomy, there are reasons to feel optimistic. As of close on Friday, the dividend yield of the S&P 500 stood at 2.22% compared to a yield on the 10 year treasury of 1.45%. When the S&P 500's yield has exceeded the yield on the 10 year treasury by more than 50 basis points, the average one year forward return dating back to the 1950's has been 24.58%.