First Trust

Market Watch

Week of July 13th

Stock Index Performance

Index	Week	YTD	12-mo.	2008	5-yr
DOW JONES 30 (8147)	-1.54%	-5.42%	-24.95%	-31.92%	-1.97%
S&P 500 (879)	-1.87%	-1.27%	-27.94%	-36.99%	-2.62%
NASDAQ 100 (1420)	-1.82%	17.65%	-22.28%	-41.57%	0.21%
S&P 500/Citigroup Growth	-1.71%	3.33%	-25.23%	-34.91%	-2.08%
S&P 500/Citigroup Value	-2.04%	-6.10%	-30.75%	-39.19%	-3.31%
S&P MidCap 400/Citigroup Growth	-3.36%	6.51%	-30.44%	-37.58%	0.32%
S&P MidCap 400/Citigroup Value	-3.29%	-1.07%	-28.51%	-34.78%	-0.45%
S&P SmallCap600/Citigroup Growth	-2.75%	-1.06%	-27.26%	-32.84%	-0.33%
S&P SmallCap600/Citigroup Value	-2.96%	-6.43%	-25.47%	-29.50%	-1.52%
MSCI EAFE	-3.07%	3.44%	-31.79%	-43.07%	1.46%
MSCI World (ex US)	-3.43%	9.21%	-31.14%	-43.26%	3.63%
MSCI World	-2.66%	1.70%	-30.52%	-40.39%	-0.59%
MSCI Emerging Markets	-3.87%	31.65%	-27.06%	-53.49%	14.09%

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 7/10/09.

S&P Sector Performance

Index	Week	YTD	12-mo.	2008	5-yr
Consumer Discretionary	-1.28%	3.63%	-17.06%	-33.49%	-5.13%
Consumer Staples	-0.32%	-2.08%	-12.43%	-15.44%	2.89%
Energy	-3.77%	-8.97%	-41.89%	-34.89%	8.29%
Financials	-2.72%	-10.23%	-40.21%	-55.23%	-14.37%
Health Care	-0.25%	-2.35%	-16.13%	-22.80%	-1.02%
Industrials	-2.68%	-10.99%	-37.62%	-39.92%	-4.88%
Information Technology	-1.78%	20.46%	-19.94%	-43.14%	-1.15%
Materials	-2.91%	7.58%	-39.45%	-45.64%	0.52%
Telecom Services	-2.98%	-8.59%	-21.68%	-30.47%	1.43%
Utilities	-1.48%	-5.10%	-30.88%	-28.99%	6.50%

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 7/10/09.

Bond Index Performance

Index	Week	YTD	12-mo.	2008	5-yr
U.S. Treasury: Intermediate	0.75%	-1.34%	6.39%	11.35%	5.00%
GNMA 30 Year	0.68%	3.27%	8.43%	7.87%	5.81%
U.S. Aggregate	0.88%	3.10%	6.45%	5.24%	5.09%
U.S. Corporate High Yield	-0.41%	30.43%	-1.37%	-26.16%	4.11%
U.S. Corporate Investment Grade	1.13%	9.99%	4.67%	-4.94%	3.96%
Municipal Bond: Long Bond (22+)	1.40%	13.80%	-2.50%	-14.68%	3.42%
Global Aggregate	0.98%	2.80%	3.24%	4.79%	5.49%

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 7/10/09.

Key Rates

As of 7/10

Fed Funds	0.25%	5-YR CD	3.04%
LIBOR (1-month)	0.30%	2-YR T-Note	0.89%
CPI - Headline	-1.30%	5-YR T-Note	2.20%
CPI - Core	1.80%	10-YR T-Note	3.29%
Money Market Accts.	1.28%	30-YR T-Bond	4.19%
Money Market Funds	0.12%	30-YR Mortgage	5.30%
6-mo. CD	1.38%	Prime Rate	3.25%
1-YR CD	1.88%	Bond Buyer 40	5.53%

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

Market Indicators

As of 7/10

TED Spread	32 bps
Investment Grade Spread (A2)	327 bps
ML High Yield Master II Index Spread	1089 bps

Sources: Bloomberg and Merrill Lynch via Bloomberg.

Weekly Fund Flows for the Week Ended 7/01/09

Estimated Flows to Long-Term Mutual Funds

	Current Week		Previous	
Domestic Equity	-$596	Million	-$666	Million
Foreign Equity	$200	Million	-$137	Million
Taxable Bond	$7.095	Billion	$3.272	Billion
Municipal Bond	$1.316	Billion	$1.086	Billion

Change in Money Market Fund Assets

	Current Week		Previous	
Retail	-$1.71	Billion	-$9.19	Billion
Institutional	$6.08	Billion	-$36.33	Billion

Source: Investment Company Institute

Factoids for the week of July 6th – July 10th

Monday, July 6, 2009

The Federal Reserve flow of funds report released June 11 showed that non-Financial corporations had negative net borrowing needs in Q1'09, according to J.P. Morgan. This means that "after-tax profits were greater than capex plus dividend payments." Companies accumulated cash of about $89 billion in the quarter, compared with negative $100 billion in Q4'08. This has not happened since 2005. Many companies rolled over their commercial paper into longer maturity bonds to reduce interest rate risk moving forward. Companies are now better positioned to increase profits once the economy recovers. A stabilization in revenues alone could be enough to push profits higher.

Tuesday, July 7, 2009

Approximately 7,000 publicly owned companies report dividend information to Standard & Poor's Dividend Record. In Q2'09, a record low 233 companies increased their dividend distributions – a 48.8% decline from the 455 increases registered in Q2'08, according to S&P. The number of companies that decreased their dividend payouts totaled 250. The last time we saw a second quarter like this was in 1957. Since 1955, the average has been 15 dividend increases for every one decreased. Now, it's five increases for every six decreases, according to Howard Silverblatt, Senior Index Analyst at S&P. Silverblatt believes companies will continue to conserve cash until the economy recovers.

Wednesday, July 8, 2009

In the first four months of 2009, banks issued 9.8 million credit cards, a 38% decline from the same period last year, according to Equifax credit bureau data. The average limit on a new card fell 3% to $4,594. U.S. consumers had $939.6 billion of revolving credit outstanding at the close of March, according to Federal Reserve data. Consumer loan and credit card delinquencies (payments 30 days late or more) rose to 3.23% in Q1'09, the highest in 35 years, according to the American Bankers Association.

Thursday, July 9, 2009

The global speculative-grade default rate stood at 10.1% in June, up from 9.2% in May, according to Moody's. There were 22 defaults in June. There have been 163 so far in 2009. There were just 36 defaults in the first six months of 2008. Moody's is now forecasting the default rate will rise to 12.8% by December 2009, and then dip to 6.0% by June 2010. The U.S. speculative-grade default rate stood at 11.0% in June, up from 10.2% in May. Moody's is now forecasting the rate will rise to 12.9% by December 2009, and then dip to 5.0% by June 2010. The default rate on senior loans stood at 6.21% in June, up from 5.83% in May, according to Standard & Poor's LCD. It sees default rates climbing as high as the mid-teens by year-end.

Friday, July 10, 2009

The S&P 500 is down 6.58% since its June 12th top and investors have not been this bearish since the bear market ended on March 9. The AAII Bearish Sentiment Index stood at 54.65 on July 9, just above its 54.47 reading on March 12. One encouraging sign for the market is the performance of investment-grade and high yield corporate bonds. The Merrill Lynch A-Rated Corporate Index has returned 2.70% since June 12, while the Merrill Lynch High Yield Master II Index has declined just 0.74%.