First Trust

Weekly Market Commentary & Developments

Week Ended October 8, 2010

US Economy and Credit Markets

Yields and Weekly Changes:

3 Mo. T-Bill:	0.11 (-03 bps)	GNMA (30 Yr) 6% Coupon:	109-20/32 (1.31%)
6 Mo. T-Bill:	0.15 (-03 bps)	Duration:	3.16 years
1 Yr. T-Bill:	0.19 (-05 bps)	30-Year Insured Revs:	176.4% of 30 Yr. T-Bond
2 Yr. T-Note:	0.34 (-07 bps)	Bond Buyer 40 Yield:	4.86% (-01 bps)
3 Yr. T-Note:	0.51 (-10 bps)	Crude Oil Futures:	82.86 (+1.28)
5 Yr. T-Note:	1.09 (-15 bps)	Gold Futures:	1346.50 (+30.40)
10 Yr. T-Note:	2.38 (-12 bps)	Merrill Lynch High Yield Indices:	
30 Yr. T-Bond:	3.74 (+02 bps)	BB, 7-10 Yr.:	6.58% (-15 bps)
		B, 7-10 Yr.:	7.97% (-16 bps)

Prices of Treasury securities maturing in 10 years or less were higher this week as investors increase expectations that the Fed will implement additional quantitative easing by purchasing more Treasury securities in the shorter maturity bands. The two and five year note yields reached record lows this week. August Factory Orders were released Monday and were down 0.50% vs. the expectation of -0.40%. The ISM Non-Manufacturing Index was reported Tuesday at 53.2 vs. the expectation of 52.0. On Friday, September non-farm payrolls reportedly declined 95,000 vs. the expectation of a decline of 5,000 and the September unemployment rate remained at 9.6% where the consensus expected it to tick up to 9.7%. September private sector payrolls increased 64,000 vs. the expectation of 75,000. Major economic reports (and related consensus forecasts) for next week include: Wednesday: September Import Price Index (-0.20%, 3.80% YoY); Thursday: August Trade Balance (-$44.1 billion), September Producer Price Index (0.20%, 3.70% YoY), September Producer Price Index excluding food and energy (0.10%, 1.50% YoY); Friday: September Consumer Price Index (0.20%, 1.20% YoY), September Consumer Price Index excluding food and energy (0.10%, 0.90% YoY), September Advance Retail Sales (0.40%, excluding autos 0.30%), October Empire Manufacturing Index (6.00), October Preliminary U of M Consumer Confidence (69.0), August Business Inventories (0.50%).

US Stocks

Weekly Index Performance:

DJIA:	11006.48 (+176.80,+1.6%)
S&P 500:	1165.15 (+18.91,+1.6%)
S&P MidCap:	811.37 (+7.48,+0.9%)
S&P Small Cap:	367.63 (+7.51,+2.1%)
NASDAQ Comp:	2401.91 (+31.16,+1.3%)
Russell 2000:	693.82 (+14.53,+2.1%)

Market Indicators:

Strong Sectors:	Materials, Industrials, Energy
Weak Sectors:	Telecomm Svcs, Utilities, Staples
NYSE Advance/Decline:	2,202 / 948
NYSE New Highs/New Lows:	518 / 24
AAII Bulls/Bears:	49.0% / 27.7%

After a one week pause, U.S. stocks jumped to five month highs as the prospect of further quantitative easing spurred equities higher. Friday's much anticipated jobs reported disappointed as private payrolls grew less than expected. After an initial muted reaction equities shrugged off the report and rallied the rest of the day. Other economic reports showed lower than expected factory orders while capital goods orders and ISM non-manufacturing both surprised to the upside. Commodities also rallied on the week (gold hit a new high) while the dollar fell. Agricultural commodities were also boosted by a USDA report forecasting diminished yields in the Midwest. The report boosted the shares of agriculture related stocks, especially fertilizer names. **Banc of America** imposed a 50 state moratorium on foreclosures as concerns about the foreclosure process spread. September chain store sales were in-line to better than expected for the all important back to school period. **Abercrombie** and **American Eagle** were among the standouts, while **Gap** struggled. **Alcoa** kicked off earnings season with strong earnings and raised its global aluminum consumption forecast due to strong emerging market demand. The shares gained 5%. **Pepsi** reported an in-line quarter though its shares fell on a lowered growth outlook. **Equinix** shares plunged after the company warned 3Q revenues would come up short of estimates. The news roiled high growth, high multiple names across the tech landscape. Looking ahead, earnings will be the focus of the next couple of weeks. The mid-term elections and FOMC meeting also loom in early November. With businesses already running lean, improvement in top line growth will likely be needed to sustain the earnings growth experienced in the past year.