First Trust

Market Watch

Week of February 1st

Stock Index Performance

Index	Week	YTD	12-mo.	2009	5-yr
Dow Jones Industrial Avg. (10,067)	-1.04%	-3.32%	29.83%	22.68%	1.79%
S&P 500 (1,074)	-1.62%	-3.60%	33.14%	26.47%	0.18%
NASDAQ 100 (1,741)	-2.99%	-6.39%	48.57%	54.63%	3.30%
S&P 500 Growth	-2.18%	-5.15%	31.23%	31.58%	0.97%
S&P 500 Value	-1.07%	-2.02%	35.16%	21.17%	-0.71%
S&P MidCap 400 Growth	-2.60%	-3.90%	44.24%	41.23%	3.45%
S&P MidCap 400 Value	-2.57%	-2.54%	42.57%	33.77%	2.87%
S&P SmallCap 600 Growth	-2.56%	-4.09%	38.75%	28.34%	1.30%
S&P SmallCap 600 Value	-2.17%	-2.66%	39.18%	22.86%	1.05%
MSCI EAFE	-3.51%	-4.41%	39.68%	31.78%	2.99%
MSCI World (ex US)	-3.40%	-4.89%	47.58%	41.45%	5.15%
MSCI World	-2.62%	-4.13%	36.58%	29.99%	1.62%
MSCI Emerging Markets	-3.11%	-5.58%	80.19%	78.51%	14.14%

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 01/29/10.

S&P Sector Performance

Index	Week	YTD	12-mo.	2009	5-yr
Consumer Discretionary	-0.42%	-2.89%	53.46%	41.33%	-1.69%
Consumer Staples	-0.14%	-1.08%	22.86%	14.89%	5.21%
Energy	-2.83%	-4.50%	12.28%	13.86%	8.63%
Financials	0.04%	-1.40%	56.88%	17.24%	-11.38%
Health Care	-1.07%	0.49%	21.80%	19.70%	3.33%
Industrials	-1.64%	-1.16%	36.75%	20.93%	-0.85%
Information Technology	-3.67%	-8.43%	52.75%	61.72%	2.50%
Materials	-4.35%	-8.61%	46.26%	48.57%	3.05%
Telecom Services	-1.13%	-8.21%	10.99%	8.93%	1.58%
Utilities	-1.13%	-4.93%	7.09%	11.91%	4.56%

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 01/29/10.

Bond Index Performance

Index	Week	YTD	12-mo.	2009	5-yr
U.S. Treasury: Intermediate	0.10%	1.42%	1.48%	-1.41%	4.93%
GNMA 30 Year	0.03%	1.26%	6.78%	5.37%	5.76%
U.S. Aggregate	0.05%	1.53%	8.51%	5.93%	5.16%
U.S. Corporate High Yield	-0.30%	1.27%	51.15%	58.21%	6.76%
U.S. Corporate Investment Grade	0.00%	1.63%	20.08%	18.68%	4.76%
Municipal Bond: Long Bond (22+)	-0.74%	0.48%	18.56%	23.43%	3.61%
Global Aggregate	-0.62%	0.41%	11.00%	6.93%	4.89%

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 01/29/10.

Key Rates

As of 01/29

Fed Funds	0.00-0.25%	5-yr CD	2.96%
LIBOR (1-month)	0.23%	2-yr T-Note	0.82%
CPI - Headline	2.70%	5-yr T-Note	2.33%
CPI - Core	1.80%	10-yr T-Note	3.59%
Money Market Accts.	0.88%	30-yr T-Bond	4.49%
Money Market Funds	0.03%	30-yr Mortgage	5.07%
6-mo. CD	1.08%	Prime Rate	3.25%
1-yr CD	1.54%	Bond Buyer 40	5.39%

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

Market Indicators

As of 01/29

TED Spread	16 bps
Investment Grade Spread (A2)	191 bps
ML High Yield Master II Index Spread	653 bps

Sources: Bloomberg and Merrill Lynch via Bloomberg.

Weekly Fund Flows for the Week Ended 01/20/10

Estimated Flows to Long-Term Mutual Funds

	Current Week		Previous	
Domestic Equity	$1.267	Billion	$2.198	Billion
Foreign Equity	$2.679	Billion	$3.583	Billion
Taxable Bond	$6.733	Billion	$6.154	Billion
Municipal Bond	$1.230	Billion	$1.202	Billion

Change in Money Market Fund Assets

	Current Week		Previous	
Retail	-$8.09	Billion	-$4.88	Billion
Institutional	-$13.84	Billion	-$41.15	Billion

Source: Investment Company Institute

Factoids for the week of January 25th – 29th

Monday, January 25, 2010

The municipal bond market might be morphing into two-tiers: traditional low-risk tax-frees and the taxable version known as Build America Bonds (BABs), according to *Kiplinger*. BABs were first introduced in February via the American Recovery and Reinvestment Act of 2009. The BAB program is scheduled to end at the close of 2010, but there is a strong push to extend it. Municipalities have sold $58 billion in BABs so far and another $150 billion could be sold in 2010, according to Chris Mier, managing director of Loop Capital. Traditional tax-free volume totaled $409 billion in 2009 – in line with the past four years, according to Thomson Reuters. The federal government subsidizes 35% of the income distributed by BABs. BAB yields are competitive with investment-grade corporates.

Tuesday, January 26, 2010

The profit margins of most U.S. health care industries rose from 2006 through 2009, which includes the recession that began in December 2007, according to *BusinessWeek*. The following shows how the five industries that comprise the S&P Health Care Index performed: Biotechnology (margins increased from 21% to 27%); Medical Equipment (margins increased from 11% to 17%); Pharmaceuticals (margins increased from 13% to 17%); Health Care Providers (margins unchanged at 5%); and Drug Retailers (margins unchanged at 1%).

Wednesday, January 27, 2010

The International Monetary Fund (IMF) just upgraded its forecast for global growth in 2010 from 3.1% to 3.9%, according to Reuters. It sees the growth rate climbing to 4.3% in 2011. The biggest drivers of growth will be emerging and developing countries. The IMF boosted its forecast for emerging and developing countries nearly one percentage point to 6.0% for 2010. It sees growth climbing to 6.3% in 2011. Developed economies are expected to expand 2.1% in 2010 and 2.4% in 2011.

Thursday, January 28, 2010

As of the close of trading on January 26, 223 U.S. companies had reported Q4'09 earnings and 73.5% of them exceeded expectations ("beat rate"), according to Bespoke Investment Group. If the reporting period had ended on the 26th the 73.5% beat rate would have marked the highest reading for any quarter in the last decade. A total of 64 companies reported earnings after the close on the 25th through the morning of the 26th. Those 64 stocks posted an average gain of 2.40% on the 26th, vs. a loss of 0.42% for the S&P 500.

Friday, January 29, 2010

Investors have been buying leveraged loans since their low of 59.2 cents on the dollar in December 2008, according to *BusinessWeek*. Demand for these loans has surged. Loan prices are up about 6.0% over the past 11 weeks. The S&P/LSTA U.S. Leveraged Loan 100 Index closed yesterday's session at 89.48 cents on the dollar. The recent high was 90.17 cents on the dollar on January 19. That kind of demand tends to boost new issuance. Banks arranged $5.71 billion of leveraged loans so far in January, up from $1.22 billion a year ago, according to Bloomberg.