First Trust

Market Watch

Week of May 24th

Stock Index Performance

Index	Week	YTD	12-mo.	2009	5-yr
Dow Jones Industrial Avg. (10,193)	-3.92%	-1.16%	26.34%	22.68%	2.11%
S&P 500 (1,088)	-4.17%	-1.71%	24.96%	26.47%	0.31%
NASDAQ 100 (1,823)	-4.39%	-1.75%	34.17%	54.63%	4.15%
S&P 500 Growth	-4.27%	-3.72%	23.21%	31.58%	0.89%
S&P 500 Value	-4.08%	0.33%	26.71%	21.17%	-0.38%
S&P MidCap 400 Growth	-4.71%	4.31%	37.23%	41.23%	4.49%
S&P MidCap 400 Value	-5.20%	3.22%	37.79%	33.77%	3.47%
S&P SmallCap 600 Growth	-5.19%	4.66%	37.35%	28.34%	3.28%
S&P SmallCap 600 Value	-6.83%	6.40%	39.55%	22.86%	2.79%
MSCI EAFE	-4.33%	-13.04%	8.62%	31.78%	1.27%
MSCI World (ex US)	-5.27%	-11.54%	12.62%	41.45%	3.75%
MSCI World	-4.39%	-7.24%	16.81%	29.99%	0.87%
MSCI Emerging Markets	-7.54%	-9.65%	22.25%	78.51%	12.80%

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 05/21/10.

S&P Sector Performance

Index	Week	YTD	12-mo.	2009	5-yr
Consumer Discretionary	-3.93%	6.84%	44.09%	41.33%	0.73%
Consumer Staples	-2.59%	0.64%	20.00%	14.89%	5.18%
Energy	-5.16%	-6.50%	9.16%	13.86%	7.05%
Financials	-3.85%	2.87%	27.39%	17.24%	-10.34%
Health Care	-3.87%	-7.36%	16.44%	19.70%	0.11%
Industrials	-5.80%	6.15%	37.46%	20.93%	0.39%
Information Technology	-4.53%	-5.49%	33.26%	61.72%	2.99%
Materials	-4.00%	-7.57%	18.55%	48.57%	3.90%
Telecom Services	-2.00%	-7.72%	9.19%	8.93%	1.66%
Utilities	-4.39%	-6.89%	16.75%	11.91%	2.93%

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 05/21/10.

Bond Index Performance

Index	Week	YTD	12-mo.	2009	5-yr
U.S. Treasury: Intermediate	0.63%	3.52%	3.80%	-1.41%	5.23%
GNMA 30 Year	0.42%	4.18%	6.75%	5.37%	6.18%
U.S. Aggregate	0.56%	4.20%	8.94%	5.93%	5.57%
U.S. Corporate High Yield	-2.09%	2.87%	30.44%	58.21%	7.67%
U.S. Corporate Investment Grade	0.50%	4.81%	19.79%	18.68%	5.48%
Municipal Bond: Long Bond (22+)	0.57%	4.86%	12.12%	23.43%	3.98%
Global Aggregate	0.90%	-0.76%	5.78%	6.93%	4.86%

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 05/21/10.

Key Rates

As of 05/21

Fed Funds	0.00-0.25%	5-yr CD	2.87%
LIBOR (1-month)	0.34%	2-yr T-Note	0.75%
CPI - Headline	2.20%	5-yr T-Note	2.02%
CPI - Core	0.90%	10-yr T-Note	3.23%
Money Market Accts.	0.79%	30-yr T-Bond	4.09%
Money Market Funds	0.03%	30-yr Mortgage	4.87%
6-mo CD	0.89%	Prime Rate	3.25%
1-yr CD	1.39%	Bond Buyer 40	5.07%

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

Market Indicators

As of 05/21

TED Spread	34 bps
Investment Grade Spread (A2)	208 bps
ML High Yield Master II Index Spread	701 bps

Sources: Bloomberg and Merrill Lynch via Bloomberg.

Weekly Fund Flows for the Week Ended 05/12/10

Estimated Flows to Long-Term Mutual Funds

	Current Week		Previous	
Domestic Equity	-$8.617	Billion	-$2.235	Billion
Foreign Equity	-$3.714	Billion	$988	Million
Taxable Bond	-$1.539	Billion	$7.764	Billion
Municipal Bond	$550	Million	$808	Million

Change in Money Market Fund Assets

	Current Week		Previous	
Retail	-$0.93	Billion	$12.83	Billion
Institutional	-$32.63	Billion	$11.40	Billion

Source: Investment Company Institute

Factoids for the week of May 17th – May 21st

Monday, May 17, 2010

Lipper reported that investors poured nearly $3 billion into leveraged-loan (senior loan) mutual funds in March and April, nearly four times the amount for the same span in 2009, according to *BusinessWeek*. These speculative-grade loans feature a variable interest rate pegged to a benchmark, usually LIBOR (London interbank offered rate). While the Fed has kept the federal funds rate at essentially zero, the 3-month LIBOR rate has risen from around 0.25% to 0.45% over the past two months due largely to the sovereign debt crisis in Greece. The default rate on senior loans decreased from 7.61% in March to 7.00% in April – based on number of issuers, according to S&P LCD. The forecast for 2010 calls for the default rate to fall to within a range of 3.00% to 5.00%.

Tuesday, May 18, 2010

Tons of oil seeps into the Gulf of Mexico each year, according to NASA Earth Observatory. Earth Satellite Corporation scientists found that there are over 600 different areas where oil bubbles up from cracks in ocean bottom sediments. The ooze is a natural phenomena that's been going on for many thousands of years according to Roger Mitchell, Vice President of Program Development at the Earth Satellite Corporation. When referring to how much oil naturally seeps into the Gulf of Mexico, Mitchell says, "The number is twice the Exxon Valdez's spill per year, and that's a conservative estimate."

Wednesday, May 19, 2010

For the week ended Wednesday, May 12, total money market mutual fund assets increased $24.2 billion from the previous week, to $2.88 trillion according to the Investment Company Institute. Yet despite this slight increase, assets in money market mutual funds have been steadily declining since the peak in January 2009, when total assets reached $3.92 trillion. Since the peak, assets in money market mutual funds have declined by $1.04 trillion, or 26.6%.

Thursday, May 20, 2010

The FDIC reported today in their Quarterly Banking Profile that earnings for FDIC-insured commercial banks and savings institutions increased to $18.0 billion in the first quarter. The earnings represented a significant improvement from the $5.6 billion the industry earned in the first quarter last year, and is the highest quarterly total since Q1 2008. Insured institutions set aside $51.3 billion in provisions for loan and lease losses in Q1, a 16.6% decline from a year ago. During Q1 the "problem list" for insured commercial banks and savings institutions increased from 702 to 775 banks, 41 FDIC-insured institutions failed and 37 institutions were merged into other charters.

Friday, May 21, 2010

Throughout the earnings season that just ended, the average stock that reported earnings went down 0.96% on its report day according to Bespoke Investment Group. Not even during the 2008 bear market did stocks fare so poorly on their report days. Yet according to Bloomberg, 77.5% of companies in the S&P 500 reported positive surprises while just 14.3% fell short.