First Trust
120 E. Liberty Drive, Wheaton, IL 60187 630-765-8000

*For The Week Ended July 30, 2010*
# Weekly Market Commentary & Developments

## US Economy and Credit Markets:

### Yields and Weekly Changes:

| | | | |
|---|---|---|---|
| **3 Mo. T-Bill** | 0.14 (unch) | **GNMA (30 Yr) 6% Coupon:** | 109-14/32 (0.91%) |
| **6 Mo. T-Bill** | 0.19 (+01 bps) | **Duration:** | 3.10 years |
| **1 Yr. T-Bill** | 0.27 (+03 bps) | **30-Year Insured Revs** | 170.6% of 30 Yr. T-Bond |
| **2 Yr. T-Note** | 0.54 (-03 bps) | **Bond Buyer 40 Yield** | 5.10% (-01 bps) |
| **3 Yr. T-Note** | 0.82 (-08 bps) | **Crude Oil Futures** | 78.90 (-0.09) |
| **5 Yr. T-Note** | 1.59 (-13 bps) | **Gold Futures** | 1181.00 (-7.10) |
| **10 Yr. T-Note** | 2.90 (-09 bps) | **Merrill Lynch High Yield Indices:** | |
| **30 Yr. T-Bond** | 3.98 (-03 bps) | **BB, 7-10 Yr.:** | 7.05% (-12 bps) |
| | | **B, 7-10 Yr.:** | 8.46% (-11 bps) |

After dropping the first two days of the week, Treasury prices were higher for the final three days, and closed the week higher. Prices were lower Monday on the strength of higher than expected new home sales. Weak response to Tuesday's auction of two-year notes concluded with the yield on record. Prices reversed course Wednesday as durable goods orders declined by 1.0% in June, in contrast to an expected 1.0% increase. Thursday saw increased demand for the Treasury's seven-year note auction and higher prices overall for Treasuries. Friday's advance GDP reading of 2.4% annualized growth for the year fell below expectations of a 2.6% growth rate, and helped push prices higher to close the week. Major economic reports (and related consensus forecasts) for next week include: Monday: July ISM Manufacturing Index (54.0, Prices Paid 54.5); Tuesday: June Personal Income (+0.2%) and Personal Spending (+0.1%), June Factory Orders (-0.3%), and July Total Vehicle Sales (11.6 million); Wednesday: July ISM Non-Manufacturing Composite (53.0); Thursday: Initial Jobless Claims (455,000); and Friday: July Employment Report, including Change in Nonfarm Payrolls (-60,000), Unemployment Rate (9.6%), Avg. Hourly Earnings (+0.1%), Avg. and Weekly Hours (34.1), and June Consumer Credit (-$5.6 billion).

## US Stocks:

### Weekly Index Performance

| | |
|---|---|
| **DJIA** | 10465.94 (+41.32,+0.4%) |
| **S&P 500** | 1101.60 (-1.06,-0.1%) |
| **S&P MidCap** | 760.27 (-3.24%,-0.4%) |
| **S&P Small Cap** | 348.50 (-0.72,-0.2%) |
| **NASDAQ Comp** | 2254.70 (-14.77,-0.7%) |
| **Russell 2000** | 650.89 (+0.24,+0.0%) |

### Market Indicators

**Strong Sectors:** Telecomm, Financials, Industrials
**Weak Sectors:** Technology, Staples, Utilities
**NYSE Advance/Decline:** 1,850 / 1,320
**NYSE New Highs/New Lows:** 465 / 51
**AAII Bulls/Bears:** 40.0% / 33.3%

US stocks were little changed last week as companies continued to report earnings ahead of forecasts while economic data gave a more mixed picture. **FedEx** noted strong international business in posting earnings ahead of expectations. **DuPont** reported strong results across business segments as both volumes and prices were up. **Norfolk Southern** continued a string of solid transportation reports. **ConocoPhillips** and **Chevron** were both helped by better refining results and higher oil prices in posting solid earnings. **Exxon Mobil** likewise reported strong results though revenues were a bit light. **BP** announced Robert Dudley will replace Tony Hayward as CEO and a $32 billion charge to pay for the Gulf oil spill. **Boeing** posted bottom line results ahead of Street forecasts though revenues were short of expectations. The aircraft manufacturer reaffirmed its outlook for the year. **Lockheed Martin** was in-line though revenues were a bit short of forecasts. **Kellogg's** shares fell after reporting disappointing results and guiding full year results lower due to increased competition. **Clorox** shares also fell on light revenues. **First Solar** fell despite solid earnings results as weaker pricing forced the company to reduce revenue expectations. **Research in Motion** shares bounced higher following reports of a forthcoming tablet device to compete against the iPad. **Genzyme** shares continued to gain amid more merger rumors. In economic news, consumer confidence hit a five month low and durable goods orders were below forecasts leading to selling pressure mid-week. A stronger than expected Chicago PMI helped support stocks on Friday. Looking ahead, earnings will continue to be the focus along with Friday's payroll report. Given the outlook for corporate profits and current valuations, equities remain attractive relative to other asset classes.