First Trust

Weekly Market Commentary & Developments

Week Ended September 24, 2010

US Economy and Credit Markets

Yields and Weekly Changes:

3 Mo. T-Bill:	0.14 (unch.)	GNMA (30 Yr) 6% Coupon:	108-14/32 (1.92%)
6 Mo. T-Bill:	0.18 (unch.)	Duration:	3.14 years
1 Yr. T-Bill:	0.24 (+01 bps)	30-Year Insured Revs:	174.4% of 30 Yr. T-Bond
2 Yr. T-Note:	0.44 (-02 bps)	Bond Buyer 40 Yield:	4.87% (-03 bps)
3 Yr. T-Note:	0.68 (-05 bps)	Crude Oil Futures:	76.56 (+2.90)
5 Yr. T-Note:	1.34 (-08 bps)	Gold Futures:	1295.60 (+19.70)
10 Yr. T-Note:	2.60 (-13 bps)	Merrill Lynch High Yield Indices:	
30 Yr. T-Bond:	3.79 (-11 bps)	BB, 7-10 Yr.:	6.70% (-03 bps)
		B, 7-10 Yr.:	8.33% (unch.)

Treasury prices were generally higher as longer dated securities gained most of the week before ending lower on Friday. Prices were higher early in the week as the Fed indicated they are willing to continue to ease monetary policy to support the economy. On Tuesday the Fed announced they will keep the target range for the federal funds rate at 0% to 0.25%. Additionally on Tuesday, August housing starts were reported at 598,000 vs. the estimate of 550,000 and building permits were reported at 569,000 vs. the estimate of 560,000. Existing home sales were reported Thursday at 4.13 million which was modestly higher than the estimate of 4.10 million. Prices pulled back on Friday as August Durable Goods excluding transportation was reported at 2.0% vs. the estimate of 1.0% and an indicator of the business outlook in Germany improved more than forecast. Major economic reports (and related consensus forecasts) for next week include: Monday: September Dallas Fed Manufacturing Index (-7.0); Tuesday: Richmond Fed Manufacturing Index (6.0); Thursday: 2nd Quarter GDP Annualized (1.60%), 2nd Quarter Personal Consumption (2.0%), 2nd Quarter GDP Price Index (1.90%), 2nd Quarter Core PCE QoQ (1.10%), September Chicago Purchasing Manager Index (56.0); Friday: August Personal Income (0.30%), August Personal Spending (0.30%), August PCE (0.10% MoM, 1.40% YoY), September U of M Consumer Confidence (67.0), September ISM Manufacturing (54.5), September Vehicle Sales (8.70M Domestic, 11.50M Total).

US Stocks

Weekly Index Performance:

DJIA:	10860.26 (+252.41,+2.4%)
S&P 500:	1148.67 (+23.08,+2.1%)
S&P MidCap:	796.29 (+15.47,+2.0%)
S&P Small Cap:	357.06 (+9.96,+2.9%)
NASDAQ Comp:	2381.22 (+65.61,+2.8%)
Russell 2000:	671.01 (+19.57,+3.0%)

Market Indicators:

Strong Sectors:	Discretionary, Technology, Energy
Weak Sectors:	Financials, Staples, Materials
NYSE Advance/Decline:	2,229 / 931
NYSE New Highs/New Lows:	523 / 34
AAII Bulls/Bears:	45.0% / 25.4%

U.S. stocks posted a fourth consecutive week of gains as investors focused on the week's positive data points. Trading was back and forth most of the week until Friday's stronger than expected durable goods report sent stocks soaring. On Tuesday, the FOMC said it remains willing to provide support if needed a move greeted with indifference by the equity market. Housing starts were better than expected though a different report showed lower home prices in July. Leading indicators were better than expected while jobless claims remained high. Gold continued to climb, gaining 1.7% on the week to close Friday at $1295.95/oz. NBER declared the recession ended in June 2009. **McDonald's** and **Microsoft** both announced large dividend increases of 11% and 23%, respectively. **Nike** shares jumped on earnings as the company noted solid results across the company and strong future orders. **General Mills** beat the bottom line but the top line fell short on higher commodity costs and increased promotional activity. **ConAgra** noted the same headwinds in falling short of estimates. **AutoZone** continued a string of strong results from the do-it-yourself auto retailers. **Adobe** shares plunged after the company lowered its outlook on tepid demand for its newest release of Creative Suite. **Discover Financial** reported strong results aided by improved credit quality and higher customer spending. In merger news, **IBM** agreed to buy data warehousing company **Netezza** for $1.7 billion. Looking ahead, the coming week marks the end of the 3rd quarter and equities are on pace for double digit gains. Earnings season looms and with recent market gains more clarity from the corporate sector on near-term business prospects will likely be crucial to sustaining the recent momentum.