First Trust

Weekly Market Commentary & Developments

Week Ended October 14, 2011

US Economy and Credit Markets

Yields and Weekly Changes:

3 Mo. T-Bill:	0.01 (+01 bps)	GNMA (30 Yr) 6% Coupon:	111-16/32 (1.79%)
6 Mo. T-Bill:	0.05 (+02 bps)	Duration:	3.42 years
1 Yr. T-Bill:	0.10 (+01 bps)	30-Year Insured Revs:	202.2% of 30 Yr. T-Bond
2 Yr. T-Note:	0.26 (-02 bps)	Bond Buyer 40 Yield:	4.99% (+01 bps)
3 Yr. T-Note:	0.50 (+01 bps)	Crude Oil Futures:	87.28 (+4.30)
5 Yr. T-Note:	1.11 (+03 bps)	Gold Futures:	1680.70 (+46.20)
10 Yr. T-Note:	2.24 (+17 bps)	Merrill Lynch High Yield Indices:	
30 Yr. T-Bond:	3.23 (+21 bps)	BB, 7-10 Yr.:	7.16% (-44 bps)
		B, 7-10 Yr.:	8.86% (-52 bps)

Longer dated treasuries fell during the bond market's holiday shortened week on better than expected US economic data and rising confidence that Europe is making progress towards a debt resolution. Prices were lower Tuesday and Wednesday as investors' risk appetite grew stronger due to positive news coming out of Europe. Treasuries rose on Thursday due to strong demand in the 30-year auction amid resurfacing concerns about the debt crisis in Europe. Prices fell again Friday as retail sales climbed 1.1% versus the expected 0.7% and retail sales less autos also moved higher than expected growing 0.6% compared to the anticipated 0.3%. Major economic reports (and related consensus forecasts) for next week include: Monday: October Empire Manufacturing Index (-4.00), September Industrial Production (0.2%) and September Capacity Utilization (77.5%); Tuesday: September Producer Price Index (+0.2% MoM, +6.4% YoY) and September Producer Price Index Excluding Food and Energy (+0.1% MoM, +2.4% YoY); Wednesday: September Consumer Price Index (+0.3% MoM, +3.8% YoY), September Consumer Price Index Excluding Food and Energy (+0.2% MoM, +2.1% YoY), September Housing Starts (595,000, 4.2% MoM), September Building Permits (610,000, -2.4% MoM) and the Fed's Beige Book released. Thursday: Initial Jobless Claims (402,000), September Leading Indicators (0.3%), October Philadelphia Fed Index (-9.8) and September Existing Home Sales (4.93M, -2.1% MoM).

Weekly Index Performance:

DJIA:	11164.49 (541.37, 4.9%)
S&P 500:	1155.46 (69.12, 6.0%)
S&P MidCap:	855.84 (56.66, 7.1%)
S&P Small Cap:	392.47 (28.72, 7.9%)
NASDAQ Comp:	2667.85 (188.5, 7.6%)
Russell 2000:	712.46 (56.25, 8.6%)

Market Indicators:

Strong Sectors:	Utilities, Consumer Staples, Health Care
Weak Sectors:	Financials, Materials, Industrials
NYSE Advance/Decline:	2,834 / 343
NYSE New Highs/New Lows:	57 / 32
AAII Bulls/Bears:	33.4% / 44.8%

The S&P 500 ended the week up 6%, the index's largest weekly percentage gain since 2009, as investors became more sanguine. Market advances were driven by news that French and German leaders will announce a comprehensive plan to shore up Euro zone banks by the end of this month. Global markets responded favorably to the announced rescue of French-Belgian bank **Dexia**, a lender heavily exposed to troubled Greek sovereign debt. In addition, Dexia is a major buyer of US municipal government debt. Also contributing to the week's gains were strong data emanating from retail sales which jumped 1.1% in September, its largest increase in seven months. Internationally, China's trade data showed signs of weakening as exports and the country's trade surplus decreased. This week marked the start of earnings season with aluminum maker, **Alcoa** reporting weak earnings. The company attributed the quarter-over-quarter decline to a slump in aluminum prices and an increase in costs. **Pepsico** had a strong quarter reporting EPS of $1.31 compared to a consensus of $1.30. The company also reported strong revenue gains of 13% while reaffirming management's revenue and earnings outlook. Headaches spread globally for Blackberry users and **Research In Motion** executives alike, as outages plagued handsets. Throughout the week, the company struggled to fix outages, further damaging the company's reputation for reliability. Research in Motion shares are down 58% year-to-date. Conversely, Blackberry rival, **Apple** reported record pre-orders exceeding 1M for its new phone, the iPhone 4s. JP Morgan shares fell 4.82% after the company reported a decrease in profit driven by anemic investment banking and trading results while providing a cautious outlook for 2012. Next week, the market will look to several key earnings announcement for direction. **I BM**, **Apple**, **Johnson & Johnson**, **Morgan Stanley**, **Microsoft**, and **Southwest** will all be reporting earnings and hopefully providing greater insight into the health of the global economy.