First Trust — Market Watch

Week of February 14th

Stock Index Performance

Index	Week	YTD	12-mo.	2010	5-yr
Dow Jones Industrial Avg. (12,273)	1.62%	6.30%	24.27%	14.06%	5.14%
S&P 500 (1,329)	1.46%	5.90%	25.72%	15.06%	3.12%
NASDAQ 100 (2,379)	1.78%	7.33%	35.01%	20.15%	8.07%
S&P 500 Growth	1.60%	5.18%	25.98%	15.09%	4.45%
S&P 500 Value	1.32%	6.66%	0.00%	15.13%	1.71%
S&P MidCap 400 Growth	3.11%	7.18%	43.79%	30.65%	7.55%
S&P MidCap 400 Value	2.18%	6.82%	33.23%	22.80%	5.23%
S&P SmallCap 600 Growth	2.73%	5.17%	40.52%	28.43%	5.43%
S&P SmallCap 600 Value	2.53%	4.43%	34.04%	25.01%	3.73%
MSCI EAFE	0.08%	4.11%	20.85%	7.75%	2.49%
MSCI World (ex US)	-0.73%	1.81%	21.44%	11.15%	4.22%
MSCI World	0.75%	4.91%	23.45%	11.76%	2.85%
MSCI Emerging Markets	-3.39%	-5.09%	20.81%	18.88%	9.60%

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 02/11/11.

S&P Sector Performance

Index	Week	YTD	12-mo.	2010	5-yr
Consumer Discretionary	3.52%	5.76%	37.89%	27.85%	5.16%
Consumer Staples	0.95%	0.61%	15.04%	14.12%	7.93%
Energy	-0.09%	8.95%	34.98%	20.46%	9.10%
Financials	2.89%	7.19%	24.02%	12.18%	-9.45%
Health Care	0.07%	2.76%	6.49%	2.90%	2.22%
Industrials	2.95%	9.05%	38.12%	26.74%	4.80%
Information Technology	0.58%	7.87%	27.09%	10.22%	6.12%
Materials	0.75%	3.66%	35.04%	22.34%	7.88%
Telecom Services	1.75%	0.63%	31.06%	18.97%	5.10%
Utilities	0.73%	2.29%	15.70%	5.46%	4.15%

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 02/11/11.

Bond Index Performance

Index	Week	YTD	12-mo.	2010	5-yr
U.S. Treasury: Intermediate	-0.16%	-0.94%	3.00%	5.29%	5.30%
GNMA 30 Year	-0.11%	-1.05%	4.36%	6.71%	6.04%
U.S. Aggregate	0.00%	-0.90%	4.39%	6.54%	5.65%
U.S. Corporate High Yield	0.28%	3.02%	19.27%	15.12%	9.21%
U.S. Corporate Investment Grade	0.27%	-0.62%	7.88%	9.00%	6.01%
Municipal Bond: Long Bond (22+)	0.41%	-2.40%	-2.36%	1.12%	2.04%
Global Aggregate	-0.39%	-1.03%	4.80%	5.55%	6.37%

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 02/11/11.

Key Rates

As of 02/11

Fed Funds	0.00-0.25%	5-yr CD	2.29%
LIBOR (1-month)	0.26%	2-yr T-Note	0.82%
CPI - Headline	1.50%	5-yr T-Note	2.35%
CPI - Core	0.80%	10-yr T-Note	3.63%
Money Market Accts.	0.65%	30-yr T-Bond	4.69%
Money Market Funds	0.03%	30-yr Mortgage	5.04%
6-mo CD	0.75%	Prime Rate	3.25%
1-yr CD	1.13%	Bond Buyer 40	5.76%

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

Market Indicators

As of 02/11

TED Spread	19 bps
Investment Grade Spread (A2)	161 bps
ML High Yield Master II Index Spread	459 bps

Sources: Bloomberg and Merrill Lynch via Bloomberg.

Weekly Fund Flows for the Week Ended 2/2/11

Estimated Flows to Long-Term Mutual Funds

	Current Week		Previous	
Domestic Equity	$1.414	Billion	$3.248	Billion
Foreign Equity	$346	Million	$1.875	Billion
Taxable Bond	$1.754	Billion	$3.509	Billion
Municipal Bond	-$1.171	Billion	-$2.678	Billion

Change in Money Market Fund Assets

	Current Week		Previous	
Retail	-$1.80	Billion	$0.94	Billion
Institutional	$12.03	Billion	-$21.77	Billion

Source: Investment Company Institute

Factoids for the week of February 7th – 11th

Monday, February 7, 2011

Manufacturers created 49,000 new jobs in January, the most since August 1998, according to *USA TODAY*. U.S. employers added a net 36,000 for the month. Manufacturers added over 100,000 jobs in 2010. That is encouraging for a sector that lost approximately 2.3 million jobs during the downturn. Overall, the U.S. lost roughly 8 million jobs. Cliff Waldman, economist at Manufacturers Alliance/MAPI, believes the industry will create 275,000 jobs this year and another 300,000 in 2012. The S&P Industrials Index was the second-best performing major sector in 2010, up 26.74%. Y-T-D (as of this morning), the index is up 7.0%, trailing only the S&P Energy Index (10.2%) and S&P Information Technology Index (8.0%).

Tuesday, February 8, 2011

China announced it is raising its benchmark one-year lending rate from 5.81% to 6.06% effective tomorrow, according to Bloomberg. It is the third hike since October 2010. A report out next week is expected to show that inflation rose 5.3% in January. With the Chinese economy still growing near 10%, some economists believe the “measured’ approach policymakers are taking is not aggressive enough to get inflation down to the government’s target rate of 4.0%. India has raised its benchmark rate by 175 basis points, compared to just 75 basis points for China. The combination of tighter monetary policy in key emerging countries and the turmoil in Egypt inspired investors to redeem a record $7 billion from emerging markets stock funds for the one-week period ended February 2, according to EPFR.

Wednesday, February 9, 2011

Moody’s reported that the *global speculative-grade* default rate stood at 2.8% in January, down from a revised 3.2% (from 3.1%) in December. The rate stood at 12.6% a year ago. Moody's is now forecasting a default rate of 1.5% by January 2012. The *U.S. speculative-grade* default rate stood at 3.0% in January, down from a revised 3.4% (from 3.3%) in December. The rate stood at 13.7% a year ago. The default rate on senior loans stood at 2.18% in January, down from 2.86% in December, according to Standard & Poor's LCD. Loan managers expect the default rate to be 1-3% in 2011, with an average of 1.87%.

Thursday, February 10, 2011

Corporate cash holdings in the BRIC nations (Brazil, Russia, India & China) stood at $780.1 billion at the close of 2010, up from $398.4 billion in 2007 (just prior to U.S. recession) according to Standard & Poor’s Capital IQ. Cash levels have grown an average of 37.1% over the past five years. Based on the current economic expansion S&P believes that cash holdings could surpass $1 trillion by 2013.

Friday, February 11, 2011

A quarterly survey of apartment owners by the National Multi Housing Council (NMHC) revealed lower vacancies and/or higher rents, according to REIT.com. Its market tightness index, which measures vacancies and rent levels, posted a reading of 78 in January, up from 38 a year ago. A reading above 50 indicates improving market conditions for landlords. The demand for apartment space is rising as a result of the drop in homeownership. U.S. ownership rates declined from 67.2% in 2009 to 66.5% in 2010, according to the U.S. Census Bureau. Demand for apartments is rising against a backdrop of the lowest level of apartment starts in 40 years.