First Trust

Weekly Market Commentary & Developments

Week Ended May 27, 2011

US Economy and Credit Markets

Yields and Weekly Changes:

3 Mo. T-Bill:	0.04 (unch.)	GNMA (30 Yr) 6% Coupon:	111-12/32 (1.61%)
6 Mo. T-Bill:	0.09 (unch.)	Duration:	3.67 years
1 Yr. T-Bill:	0.15 (-01 bps)	30-Year Insured Revs:	159.4% of 30 Yr. T-Bond
2 Yr. T-Note:	0.47 (-03 bps)	Bond Buyer 40 Yield:	5.36% (-01 bps)
3 Yr. T-Note:	0.79 (-10 bps)	Crude Oil Futures:	100.65 (1.16)
5 Yr. T-Note:	1.71 (-07 bps)	Gold Futures:	1535.70 (+26.80)
10 Yr. T-Note:	3.07 (-07 bps)	Merrill Lynch High Yield Indices:	
30 Yr. T-Bond:	4.24 (-05 bps)	BB, 7-10 Yr.:	6.25% (+04 bps)
		B, 7-10 Yr.:	7.55% (+12 bps)

Treasury prices continued higher this week as a combination of continued euro-zone concerns and economic news influenced investors toward U.S. Treasury securities. In economic news this week, new home sales increased faster than expected at 7.4% in April to 323,000 vs. expectations of 300,000. Durable goods declined 3.6% in April, worse than the estimate of 2.5%. 1st Quarter GDP grew at a 1.8% annual rate, lower than the expected 2.2%. On Friday, personal income and spending were reported and increased 0.4% and 0.5% respectively in April. Personal income matched expectations and spending was 0.1% lower. U of M Consumer Confidence was also reported Friday and beat expectations of 72.4 by coming in at 74.3. The market is scheduled to be closed on Monday in observance of the Memorial Day Holiday. Major economic reports (and related consensus forecasts) for next week include: Tuesday: March S&P/Case-Shiller Composite-20 Home Price Index (-0.24% MoM), May Chicago Purchasing Manager Index (62.3), May Dallas Fed Manufacturing Outlook (8.3); Wednesday: May Construction Spending (0.4%), May ISM Manufacturing Index (57.5), May Total Vehicle Sales (12.80M SAAR), May Domestic Vehicle Sales (9.80M SAAR); Thursday: 1st Quarter Nonfarm Productivity (1.7%), 1st Quarter Unit Labor Costs (0.8%), April Factory Orders (-0.9%); Friday: May Change in Nonfarm Payrolls (190,000), May Change in Private Payrolls (220,000), May Unemployment Rate (8.9%).

US Stocks

Weekly Index Performance:

DJIA:	12441.58 (-70.46,-0.6%)
S&P 500:	1331.10 (-2.17,-0.2%)
S&P MidCap:	990.19 (+3.36,+0.3%)
S&P Small Cap:	446.54 (+3.29,+0.7%)
NASDAQ Comp:	2796.86 (-6.46,-0.2%)
Russell 2000:	836.26 (+7.20,+0.9%)

Market Indicators:

Strong Sectors:	Materials, Energy, Telecomm Svcs
Weak Sectors:	Utilities, Health Care, Staples
NYSE Advance/Decline:	1,770/ 1,402
NYSE New Highs/New Lows:	233 / 86
AAII Bulls/Bears:	25.6% / 41.4%

US stocks were mixed last week as economic and corporate data provided something for both the bulls and bears. The S&P 500 slid for a fourth consecutive week while small and mid cap stocks managed small gains. The week started with European debt worries sending stocks lower as Greece remained in the news and Italy was downgraded by S&P. Equities then reversed course to end the week with three straight days of gains. In economic news, U of Michigan consumer sentiment was better than expected and new home sales rose though remained well below the year ago pace. Reports on durable goods, jobless claims and pending home sales all came up short of expectations. **NetApp** shares jumped following strong quarterly results driven by robust demand for data storage and cloud computing solutions. **AutoZone** beat on both the top and bottom lines. **Tiffany** cited strong worldwide growth in beating forecasts while **Guess?** benefitted from strong Asian demand. **Ralph Lauren** blamed higher costs for its disappointing results while **Express** fell on a disappointing outlook. **Marvell Technology** reported inline results and the shares jumped on a positive outlook. **Medco** shares slumped after losing a Blue Cross Blue Shield contract to **CVS**. **AIG** shares fell following the pricing of a share sale in which the US Gov't pared back its stake. **El Paso** shares spiked higher on plans to separate its pipeline assets from its exploration and production assets. Looking ahead, the jobs report on Friday will be the big event for the coming week. The report will likely have a big impact on the near term direction of the equity markets as many see a rebounding labor market as the key to the sustainability of the recovery.