First Trust Market Watch

Week of July 18th

Stock Index Performance

Index	Week	YTD	12-mo.	2010	5-yr.
Dow Jones Industrial Avg. (12,480)	-1.40%	9.24%	23.65%	14.06%	5.86%
S&P 500 (1,316)	-2.05%	5.74%	22.43%	15.06%	3.43%
NASDAQ 100 (2,357)	-2.03%	6.70%	27.98%	20.15%	10.72%
S&P 500 Growth	-1.82%	7.56%	26.28%	15.09%	5.91%
S&P 500 Value	-2.29%	3.88%	18.72%	15.13%	0.90%
S&P MidCap 400 Growth	-2.99%	10.91%	37.55%	30.65%	9.83%
S&P MidCap 400 Value	-2.72%	5.83%	25.97%	22.80%	5.48%
S&P SmallCap 600 Growth	-2.86%	11.47%	37.68%	28.43%	7.57%
S&P SmallCap 600 Value	-2.36%	4.46%	27.33%	25.01%	4.35%
MSCI EAFE	-2.70%	2.12%	17.92%	7.75%	1.77%
MSCI World (ex US)	-2.40%	1.73%	19.11%	11.15%	4.05%
MSCI World	-2.22%	3.91%	20.44%	11.76%	2.71%
MSCI Emerging Markets	-2.38%	0.09%	21.38%	18.88%	11.96%

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 07/15/11.

S&P Sector Performance

Index	Week	YTD	12-mo.	2010	5-yr.
Consumer Discretionary	-2.53%	8.59%	32.03%	27.85%	6.85%
Consumer Staples	-1.25%	8.24%	20.51%	14.12%	8.59%
Energy	0.12%	13.65%	46.54%	20.46%	7.66%
Financials	-3.90%	-6.22%	2.05%	12.18%	-11.91%
Health Care	-1.61%	12.96%	22.54%	2.90%	5.36%
Industrials	-3.38%	5.95%	27.98%	26.74%	4.04%
Information Technology	-1.87%	3.54%	17.94%	10.22%	8.45%
Materials	-1.48%	4.48%	35.60%	22.34%	7.90%
Telecom Services	-2.50%	5.50%	30.63%	18.97%	5.79%
Utilities	-1.18%	8.75%	15.45%	5.46%	4.50%

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 07/15/11.

Bond Index Performance

Index	Week	YTD	12-mo.	2010	5-yr.
U.S. Treasury: Intermediate	0.43%	3.25%	3.59%	5.29%	6.04%
GNMA 30 Year	0.26%	4.11%	4.95%	6.71%	7.18%
U.S. Aggregate	0.32%	3.73%	4.54%	6.54%	6.62%
U.S. Corporate High Yield	-0.08%	5.75%	14.26%	15.12%	9.40%
U.S. Corporate Investment Grade	0.32%	4.76%	7.09%	9.00%	7.24%
Municipal Bond: Long Bond (22+)	0.76%	6.84%	2.88%	1.12%	3.78%
Global Aggregate	0.37%	4.71%	8.51%	5.55%	7.20%

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 07/15/11.

Key Rates

As of 07/15/11

Fed Funds	0.00-0.25%	5-yr CD	1.88%
LIBOR (1-month)	0.19%	2-yr T-Note	0.35%
CPI - Headline	3.60%	5-yr T-Note	1.44%
CPI - Core	1.60%	10-yr T-Note	2.90%
Money Market Accts.	0.58%	30-yr T-Bond	4.25%
Money Market Funds	0.02%	30-yr Mortgage	4.49%
6-mo CD	0.59%	Prime Rate	3.25%
1-yr CD	0.92%	Bond Buyer 40	5.18%

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

Market Indicators

As of 07/15/11

TED Spread	24 bps
Investment Grade Spread (A2)	184 bps
ML High Yield Master II Index Spread	552 bps

Sources: Bloomberg and Merrill Lynch via Bloomberg.

Weekly Fund Flows for the Week Ended 7/06/11

Estimated Flows to Long-Term Mutual Funds

	Current Week		Previous	
Domestic Equity	-$4.471	Billion	-$2.999	Billion
Foreign Equity	$630	Million	$761	Million
Taxable Bond	$6.173	Billion	$2.168	Billion
Municipal Bond	$238	Million	$167	Million

Change in Money Market Fund Assets

	Current Week		Previous	
Retail	-$5.12	Billion	$3.62	Billion
Institutional	$14.80	Billion	$0.31	Billion

Source: Investment Company Institute

Factoids for the week of July 11th – 15th

Monday, July 11, 2011

The five most accurate currency forecasters over the past six calendar quarters now believe the weakness in the U.S. dollar is nearing an end, according to Bloomberg. The dollar fell 13.6% against a basket of major currencies (The Dollar Index) in the 12-month period ended June 2011. The euro-zone debt crisis has changed the climate to the extent that hedge funds and other large speculators are no longer betting on the collapse of the dollar. Sentiment would obviously change if the U.S. government failed to properly handle the debt ceiling issue. The strength in U.S. corporate earnings is a plus. Estimates from equity analysts compiled by Bloomberg call for S&P 500 profits to increase by 19% in 2011.

Tuesday, July 12, 2011

Moody's reported that the global speculative-grade default rate stood at 2.2% in June, down from 2.4% in May, according to Investment Executive.com. The rate was 6.2% a year ago. Moody's is still forecasting a default rate of 1.5% for December 2011. There were only four defaults in Q2'11. There have been just 12 so far this year, compared to 27 in the first half of 2010. The default rate on senior loans stood at 1.51% in June, up slightly from 1.50% in May, according to Standard & Poor's LCD.

Wednesday, July 13, 2011

The current economic climate in the U.S. continues to present headwinds for small businesses. Only 31% of CEOs running small companies expect the economy to improve over the next 12 months, down from 50% in Q1, according to a quarterly survey by Vistage International. The top reasons cited for the pessimism included concerns over health care costs, tight credit markets, slow progress on new trade agreements and anemic growth. While only 49% of those polled said they planned to add staff, 66% said they intended to increase wages over the next year. Late payments are also making life tougher. A survey by the National Federation of Independent Business found that 40% of small businesses are coping with late payments from customers, according to *USA TODAY*. Manufacturers with less than $10 million in annual revenue, on average, received payments 48 days out in 2011. That is a six-day increase over 2010 and a 10-day rise from 2006.

Thursday, July 14, 2011

The price of copper is trading at around $4.40 per pound, down about 5.3% from the all-time high of $4.65 reached in February 2011, according to Reuters. The demand for copper has been strongest in China, which has accounted for about 40% of this year's 21 million metric tons of global consumption. The price of copper is also up on potential supply shortages later this year and into 2012. High copper prices have motivated thieves to steal more of it for its scrap value. Copper thefts are up 85% in London and 123% in France.

Friday, July 15, 2011

Investors seeking current income have taken a liking to emerging market debt. Data provided by EPFR shows the funds in this category took in over $53 billion in 2010 and another $15 billion so far this year, according to Reuters. Emerging market bond funds now oversee more than $186 billion. Emerging countries have made great progress in shoring up their financial systems. A report from Prudential noted that nearly 60% of emerging nations are rated investment-grade (BBB or higher), up from just 2% in 1993. Weakness in the dollar and attractive yields don't hurt. The yield on the Barclays Capital Global Emerging Markets Index was 5.55% at the close of June, compared to 1.34% on its U.S. Treasury: Intermediate Index and 3.16% on its Intermediate Corporate Index. The U.S. Dollar Index (DXY) is down 4.8% so far in 2011.