First Trust

Weekly Market Commentary & Developments

Week Ended July 22, 2011

US Economy and Credit Markets

Yields and Weekly Changes:

3 Mo. T-Bill:	0.03 (+02 bps)	GNMA (30 Yr) 6% Coupon:	111-11/32 (1.66%)
6 Mo. T-Bill:	0.07 (+03 bps)	Duration:	3.64 years
1 Yr. T-Bill:	0.17 (+03 bps)	30-Year Insured Revs:	157.8% of 30 Yr. T-Bond
2 Yr. T-Note:	0.38 (+03 bps)	Bond Buyer 40 Yield:	5.21% (+03 bps)
3 Yr. T-Note:	0.66 (+03 bps)	Crude Oil Futures:	99.77 (+2.53)
5 Yr. T-Note:	1.50 (+06 bps)	Gold Futures:	1603.30 (+13.20)
10 Yr. T-Note:	2.95 (+05 bps)	Merrill Lynch High Yield Indices:	
30 Yr. T-Bond:	4.25 (unch.)	BB, 7-10 Yr.:	6.38% (-08 bps)
		B, 7-10 Yr.:	7.57% (-07 bps)

Treasury prices ended lower this week, largely influenced by continued concerns that the U.S. government will not reach agreement to raise the federal debt limit by August 2nd. Prices gained following positive earnings news and discussions of a potential deal on Tuesday but retreated Wednesday and Thursday as European leaders made progress in dealing with the region's debt issues while optimism that U.S. officials could reach bipartisan agreement faded. In other economic news this week, housing starts were 14.6% higher in June, beating expectations of 2.7% growth and building permits increased 2.5% vs. the consensus expectation of a 2.3% decline. Existing home sales were down 0.8% in June to an annual rate of 4.77 million which was below expectations of 1.9% growth to 4.90 million. Major economic reports (and related consensus forecasts) for next week include: Monday: July Dallas Fed Manufacturing Outlook (-7.6); Tuesday: May S&P/Case-Schiller Composite Home Price Index (0.0% MoM, -4.55% YoY), Richmond Fed Manufacturing Index (5), June New Home Sales (322,000, 0.9% MoM); Wednesday: June Durable Goods Orders (0.3%, 0.5% Excluding Transportation); Thursday: June Pending Home Sales (-2.0% MoM, 14.4% YoY); Friday: 2nd Quarter GDP (1.8%), 2nd Quarter Personal Consumption (0.8%), July Chicago Purchasing Manager Index (60.0), July U of M Consumer Confidence (64.0).

US Stocks

Weekly Index Performance:

DJIA:	12681.16 (+201.43,+1.6%)
S&P 500:	1345.02 (+28.88,+2.2%)
S&P MidCap:	991.79 (+15.68,+1.6%)
S&P Small Cap:	452.61 (+6.72,+1.5%)
NASDAQ Comp:	2858.83 (+69.03,+2.5%)
Russell 2000:	841.82 (+13.04,+1.6%)

Market Indicators:

Strong Sectors:	Technology, Energy, Financials
Weak Sectors:	Telecommunication Services, Industrials, Materials
NYSE Advance/Decline:	2,126/ 1,032
NYSE New Highs/New Lows:	250 / 135
AAII Bulls/Bears:	39.9% / 30.6%

US stocks rebounded to post solid gains last week as earnings season kicked into high gear. Roughly 30% of S&P 500 has reported so far and those exceeding estimates are outpacing those falling short by about a 4:1 margin. **Apple** reported a blowout quarter on strong iPhone and iPad sales. Asia was also very strong. Elsewhere in tech earnings, **Microsoft**, **Intel**, **Qualcomm** and **IBM** all reported strong results. **Yahoo!** shares slumped on disappointing revenues. **Cisco** announced it will layoff 9% of its workforce. **Hewlett-Packard** will buy back $10billion in shares. **GE** reported inline results driven by the finance division. **McDonalds** jumped to a new all-time high after new menu items drove results above forecast and the company raised its July comp store sales estimate. **United Healthcare** was little changed despite strong bottom line results. **Coca-Cola** beat on strong global volumes while **Pepsi** fell on commodity cost concerns. **Morgan Stanley** reported a smaller than expected loss on strong revenues. **Goldman Sachs** reported a top and bottom line miss on weak fixed income trading results. **Caterpillar** fell after its forecast fell short of expectations. **American Airlines** announced a large plane order split between **Airbus** and **Boeing**. In merger news, **Express Scripts** will buy **Medco Health Solutions** for $29 billion. Online real estate site **Zillow** had a successful IPO gaining 78% on its first day of trading. Looking ahead, earnings will continue to be the focus in the coming weeks as we move into the heart of earnings season. With earnings season off to a strong start, the path of least resistance could be to the upside should recent trends hold. A credible plan to raise the debt limit and curb the deficit will also be needed to sustain the momentum.