First Trust

Weekly Market Commentary & Developments

Week Ended September 16, 2011

US Economy and Credit Markets

Yields and Weekly Changes:

3 Mo. T-Bill:	0.00 (unch.)	GNMA (30 Yr) 6% Coupon:	112-14/32 (1.11%)
6 Mo. T-Bill:	0.02 (-02 bps)	Duration:	3.57 years
1 Yr. T-Bill:	0.07 (-02 bps)	30-Year Insured Revs:	195.8%% of 30 Yr. T-Bond
2 Yr. T-Note:	0.17 (unch.)	Bond Buyer 40 Yield:	5.01% (unch)
3 Yr. T-Note:	0.33 (+04 bps)	Crude Oil Futures:	87.90 (+0.66)
5 Yr. T-Note:	0.91 (+11 bps)	Gold Futures:	1812.20 (-44.9)
10 Yr. T-Note:	2.05 (+13 bps)	Merrill Lynch High Yield Indices:	
30 Yr. T-Bond:	3.31 (+06 bps)	BB, 7-10 Yr.:	6.95% (+01 bps)
		B, 7-10 Yr.:	8.56% (unch.)

Treasury prices reversed recent trends this week and fell on all but the short end of the curve as concerns over the European debt crisis eased slightly. Prices fell on Monday as speculations arose that China may look to purchase more European debt. Yields rose again on Tuesday after comments from German Chancellor Angela Merkel settled fears of about Greece's debt. Prices in the 30 year rose Wednesday on the strongest auction demand since March and Retail Sales reported growth of 0.0% and 0.1% less autos versus expectations of 0.2% in both categories. Treasuries fell again Thursday on news that the ECB, Federal Reserve and other central banks will work together in lending dollars to European financial institutions. The Empire Manufacturing Index fell to -8.82 versus expectations of -4.00 and the Philadelphia Fed Index also reported a -17.5 level compared to the anticipated -15.0. Industrial Production however rose 0.2% which was above the projected 0.0%. Prices rose again on Friday as the possibility of economic stimulus was eliminated by European officials. U of M Consumer Confidence grew to 57.8 versus the expected 57.0. Major economic reports (and related consensus forecasts) for next week include: Tuesday: August Housing Starts 590,000, -2.3% MoM) and August Building Permits (590,000, -1.8% MoM); Wednesday: August Existing Home Sales (4.75M, +1.7% MoM) and the FOMC Rate Decision (0.25%) and Thursday: Initial Jobless Claims (420,000), August Leading Indicators (0.1%).

US Stocks

Weekly Index Performance:

DJIA:	11509.09 (+516.96,+4.7%)
S&P 500:	1216.01 (+61.78,+5.4%)
S&P MidCap:	866.09 (+42.73,+5.2%)
S&P Small Cap:	389.64 (+20.38,+5.5%)
NASDAQ Comp:	2622.31 (+154.32,+6.3%)
Russell 2000:	714.31 (+40.35,+6.0%)

Market Indicators:

Strong Sectors:	Info Tech, Cons Disc, Industrials
Weak Sectors:	Cons Staples, Health Care, Energy
NYSE Advance/Decline:	2,239/ 921
NYSE New Highs/New Lows:	76/ 317
AAII Bulls/Bears:	30.5% / 41.4%

Last week stocks jumped amid progress on Europe's debt crisis as the major central banks around the world agreed to lend U.S. dollars to European banks and key European leaders reiterated that Greece will remain in the euro zone. Another positive for Europe was China's potential investment in Italian debt. Economic data was mixed for the week as retail sales were flat and initial jobless claims rose while industrial production unexpectedly expanded in August for the fourth consecutive month. Turning to stock news, **UBS AG** declined 2.75% for the week as a rogue trader allegedly cost the investment bank $2 billion on a bad trade. **Bank of America** rose for the week after announcing $5 billion in yearly cost-cuts and the sale of $1.5 billion in **HCA Holdings** as the bank continues to shed non-core assets. **General Electric** gained over 8% as the firm announced it will buy back its preferred shares from **Berkshire Hathaway**. **Netflix** tumbled after domestic subscriber growth declined as a new pricing model shattered their torrid growth. Looking ahead, investor sentiment toward the continuing sovereign debt issues and the FOMC's expected implementation of "operation twist" will likely be the key catalyst of equity prices in the coming week. For those with a longer term horizon, valuations seem compelling and should start to drive the market as liquidity fears start to abate.