First Trust

Market Watch

Week of October 29th

Stock Index Performance

Index	Week	YTD	12-mo.	2011	5-yr.
Dow Jones Industrial Avg. (13,107)	-1.77%	9.60%	13.46%	8.41%	1.79%
S&P 500 (1,412)	-1.48%	14.26%	16.24%	2.12%	0.54%
NASDAQ 100 (2,666)	-0.46%	18.08%	15.53%	3.69%	4.81%
S&P 500 Growth	-1.22%	13.80%	15.44%	4.70%	2.79%
S&P 500 Value	-1.79%	14.83%	17.23%	-0.48%	-1.77%
S&P MidCap 400 Growth	-1.08%	12.05%	10.99%	-0.95%	4.39%
S&P MidCap 400 Value	-1.48%	12.79%	15.74%	-2.40%	2.35%
S&P SmallCap 600 Growth	-0.81%	9.83%	13.13%	3.67%	3.13%
S&P SmallCap 600 Value	-1.07%	11.81%	17.25%	-1.34%	2.02%
MSCI EAFE	-1.87%	10.91%	6.46%	-12.14%	-5.50%
MSCI World (ex US)	-1.77%	10.54%	6.15%	-13.71%	-4.76%
MSCI World	-1.65%	12.13%	10.88%	-5.54%	-2.61%
MSCI Emerging Markets	-1.53%	10.77%	5.89%	-18.42%	-3.16%

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 10/26/12.

S&P Sector Performance

Index	Week	YTD	12-mo.	2011	5-yr.
Consumer Discretionary	-1.53%	19.10%	20.45%	6.24%	6.61%
Consumer Staples	-1.01%	11.15%	16.99%	14.03%	7.51%
Energy	-2.41%	5.54%	6.29%	4.72%	0.31%
Financials	-1.99%	23.21%	21.69%	-17.07%	-12.04%
Health Care	-0.84%	18.30%	23.68%	12.77%	4.69%
Industrials	-1.47%	10.19%	14.62%	-0.59%	-0.42%
Information Technology	-0.92%	14.15%	12.96%	2.43%	2.60%
Materials	-2.80%	9.74%	9.31%	-9.68%	-0.91%
Telecom Services	-1.48%	20.62%	28.01%	6.33%	2.03%
Utilities	-1.50%	4.83%	10.51%	20.02%	1.66%

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 10/26/12.

Bond Index Performance

Index	Week	YTD	12-mo.	2011	5-yr.
U.S. Treasury: Intermediate	0.04%	1.34%	2.52%	6.57%	5.06%
GNMA 30 Year	0.01%	2.30%	3.72%	7.97%	6.41%
U.S. Aggregate	-0.02%	3.94%	5.45%	7.84%	6.25%
U.S. Corporate High Yield	-0.33%	13.19%	14.83%	4.98%	9.42%
U.S. Corporate Investment Grade	-0.30%	9.61%	10.74%	8.15%	7.90%
Municipal Bond: Long Bond (22+)	0.29%	10.58%	13.33%	14.88%	6.07%
Global Aggregate	-0.22%	4.53%	3.47%	5.64%	5.80%

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 10/26/12.

Key Rates

As of 10/26/12

Fed Funds	0.00-0.25%	5-yr CD	1.36%
LIBOR (1-month)	0.21%	2-yr T-Note	0.30%
CPI - Headline	2.00%	5-yr T-Note	0.76%
CPI - Core	2.00%	10-yr T-Note	1.75%
Money Market Accts.	0.49%	30-yr T-Bond	2.90%
Money Market Funds	0.03%	30-yr Mortgage	3.47%
6-mo CD	0.47%	Prime Rate	3.25%
1-yr CD	0.71%	Bond Buyer 40	4.14%

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

Market Indicators

As of 10/26/12

TED Spread	19 bps
Investment Grade Spread (A2)	172 bps
ML High Yield Master II Index Spread	541 bps

Sources: Bloomberg and Merrill Lynch via Bloomberg.

Weekly Fund Flows

Estimated Flows to Long-Term Mutual Funds for the Week Ended 10/17/12

	Current Week		Previous	
Domestic Equity	-$1.361	Billion	-$2.314	Billion
Foreign Equity	-$369	Million	-$295	Million
Taxable Bond	$7.575	Billion	$8.163	Billion
Municipal Bond	$1.288	Billion	$1.346	Billion

Change in Money Market Fund Assets for the Week Ended 10/24/12

	Current Week		Previous	
Retail	-$1.55	Billion	-$0.94	Billion
Institutional	$2.49	Billion	$6.78	Billion

Source: Investment Company Institute

Factoids for the week of October 22nd – 26th

Monday, October 22, 2012

Data from EPFR Global shows that investors have poured a record $53 billion into high yield bond funds so far this year, according CNNMoney.com. The average high yield corporate bond ("junk") is trading above par at close to 104¢ on the dollar. The Merrill Lynch U.S. High Yield Master II Index posted a total return of 13.36% (+6.53% price-only return) year-to-date through 10/19, according to Bloomberg. The index yielded 6.84% as of the close on 10/19, 507 basis points above the 10-Year T-Note. With high yield bond prices above par, advisors suggest that investors limit their exposure to 20% of their overall bond holdings and focus on bonds with shorter maturities.

Tuesday, October 23, 2012

A survey of registered investment advisors (RIAs) by Invesco revealed that RIAs believe ETFs will account for 24% of portfolio allocations in the next 12 months and 33% in the next three years, according to ETF Trends. Of those surveyed, 24% adhere to an all active management portfolio style, while 19% exclusively employ passive management portfolios. The survey also found that wealth preservation is the most important issue today, followed by risk mitigation.

Wednesday, October 24, 2012

U.S. production of crude oil and liquid hydrocarbons is on pace to rise 7% to an average of 10.9 million barrels a day in 2012, according to *USA TODAY*. If so, that would qualify as the biggest one-year gain since 1951. The Energy Department sees production ramping up to 11.4 million barrels a day next year. Saudi Arabia's output is approximately 11.6 million barrels per day. Citibank estimates that U.S. production levels could rise to 13-15 million barrels by 2020. The U.S. consumes 18.7 million barrels a day. IHS CERA, an energy consulting firm, estimates that the oil and gas drilling boom in the U.S. will create an additional 1.3 million jobs by the end of the decade, up from 1.7 million today.

Thursday, October 25, 2012

The Mortgage Bankers Association (MBA) is forecasting $1.3 trillion in mortgage originations in 2013, largely driven by a spillover of refinancing activity into the first half of the year, according to its own release. MBA is looking for $1.7 trillion of originations for 2012. The good news is it expects purchase originations to climb to $585 billion in 2013, up from the $503 billion estimated for 2012. Only five of the 20 biggest mortgage lenders from 2006 are still operating independently today, according to SNL Financial. Mortgage industry employment has declined from over 450,000 in 2006 to less than 300,000.

Friday, October 26, 2012

The current sell-off in the S&P 500 has reached 41 days. The high for the index this year was 1465.77 on September 14, 2012. Based on yesterday's closing price of 1412.97, the S&P 500 is down 3.6% from its high. There have been 16 sell-offs of 5% or more in the index since the start of the bull market in March 2009, according to Bespoke Investment Group. The average decline was 8.3%, spanning an average of 22 days. The longest was 60 days (4/2/12-6/1/12), resulting in a loss of 9.9%. The worst sell-off was the 17.3% plunge from 7/7/11-8/8/11 (32 days), which qualifies as a correction.