First Trust

Market Watch

Week of May 21st

Stock Index Performance

Index	Week	YTD	12-mo.	2011	5-yr.
Dow Jones Industrial Avg. (12,369)	-3.39%	2.37%	1.21%	8.41%	0.94%
S&P 500 (1,295)	-4.23%	3.86%	-1.25%	2.12%	-1.05%
NASDAQ 100 (2,479)	-5.17%	9.27%	6.03%	3.69%	6.28%
S&P 500 Growth	-3.99%	4.67%	1.97%	4.70%	1.93%
S&P 500 Value	-4.52%	2.89%	-4.60%	-0.48%	-4.08%
S&P MidCap 400 Growth	-6.06%	4.34%	-7.37%	-0.95%	3.66%
S&P MidCap 400 Value	-6.18%	2.61%	-7.60%	-2.40%	-0.24%
S&P SmallCap 600 Growth	-4.61%	3.13%	-4.10%	3.67%	2.78%
S&P SmallCap 600 Value	-5.04%	2.01%	-3.27%	-1.34%	-0.53%
MSCI EAFE	-5.93%	-2.24%	-17.89%	-12.14%	-6.84%
MSCI World (ex US)	-6.03%	-2.00%	-18.26%	-13.71%	-5.17%
MSCI World	-5.07%	0.73%	-10.13%	-5.54%	-3.90%
MSCI Emerging Markets	-6.45%	-0.15%	-18.64%	-18.42%	0.22%

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 5/18/12.

S&P Sector Performance

Index	Week	YTD	12-mo.	2011	5-yr.
Consumer Discretionary	-4.99%	8.21%	5.71%	6.24%	2.90%
Consumer Staples	-1.34%	3.99%	7.28%	14.03%	7.09%
Energy	-4.57%	-6.91%	-11.51%	4.72%	0.40%
Financials	-6.99%	6.44%	-11.97%	-17.07%	-16.35%
Health Care	-2.52%	4.70%	1.52%	12.77%	1.82%
Industrials	-4.16%	1.82%	-6.63%	-0.59%	-0.80%
Information Technology	-4.96%	8.19%	6.33%	2.43%	3.95%
Materials	-6.55%	-1.71%	-12.73%	-9.68%	-1.50%
Telecom Services	-0.27%	8.82%	8.06%	6.33%	0.15%
Utilities	-1.37%	-0.47%	8.55%	20.02%	0.35%

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 5/18/12.

Bond Index Performance

Index	Week	YTD	12-mo.	2011	5-yr.
U.S. Treasury: Intermediate	0.15%	0.89%	5.83%	6.57%	5.90%
GNMA 30 Year	0.16%	1.42%	6.44%	7.97%	6.92%
U.S. Aggregate	0.20%	1.94%	7.30%	7.84%	6.58%
U.S. Corporate High Yield	-1.65%	5.18%	4.15%	4.98%	7.66%
U.S. Corporate Investment Grade	-0.23%	3.71%	8.37%	8.15%	7.26%
Municipal Bond: Long Bond (22+)	0.00%	6.42%	16.66%	14.88%	5.34%
Global Aggregate	-0.43%	1.28%	3.47%	5.64%	6.45%

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 5/18/12.

Key Rates

As of 5/18/12

Fed Funds	0.00-0.25%	5-yr CD	1.38%
LIBOR (1-month)	0.24%	2-yr T-Note	0.29%
CPI - Headline	2.30%	5-yr T-Note	0.75%
CPI - Core	2.30%	10-yr T-Note	1.84%
Money Market Accts.	0.46%	30-yr T-Bond	2.81%
Money Market Funds	0.03%	30-yr Mortgage	3.80%
6-mo CD	0.46%	Prime Rate	3.25%
1-yr CD	0.70%	Bond Buyer 40	4.37%

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

Market Indicators

As of 5/18/12

TED Spread	41 bps
Investment Grade Spread (A2)	255 bps
ML High Yield Master II Index Spread	655 bps

Sources: Bloomberg and Merrill Lynch via Bloomberg.

Weekly Fund Flows

Estimated Flows to Long-Term Mutual Funds for the Week Ended 5/9/12

	Current Week		Previous	
Domestic Equity	-$2.411	Billion	-$6.604	Billion
Foreign Equity	$1.121	Billion	$1.302	Billion
Taxable Bond	$6.086	Billion	$6.434	Billion
Municipal Bond	$1.501	Billion	$1.073	Billion

Change in Money Market Fund Assets for the Week Ended 5/16/12

	Current Week		Previous	
Retail	$0.37	Billion	-$1.26	Billion
Institutional	-$5.72	Billion	$2.45	Billion

Source: Investment Company Institute

Factoids for the week of May 14th – 18th

Monday, May 14, 2012

The U.S. constitutes approximately one-third of the world's total stock market capitalization. It is only one of two countries to increase share in a meaningful way since the beginning of 2011, according to Bespoke Investment Group. Total capitalization in the U.S. increased 3.18 percentage points to 32.86%, while Hong Kong rose 1.49 percentage points to 6.29%. The two countries with the poorest showing were China, down 0.94 percentage points to a 6.29% share, and India, down 0.92 percentage points to a 2.22% share.

Tuesday, May 15, 2012

The fifth annual American Express/CFO Research Global Business and Spending Monitor survey in March (541 participants) revealed that 71% of U.S. executives intend to spend the same or more on business travel, according to *USA TODAY*. Nearly 90% say they will spend the same or more to meet with current or prospective customers. Only 22% were willing to spend more to meet with suppliers or vendors, 21% on attending industry conferences and other events, and 17% to attend internal meetings. One notable piece of feedback was that conference calls/video technology is a poor substitute for face-to-face business travel.

Wednesday, May 16, 2012

While the relative strength of the U.S. economy continues to boost corporate earnings and drive stock prices higher (S&P 500 +6.7% Y-T-D), the weakness in Europe and tempering of growth in China has proven a drag on commodity prices. Commodity prices are down 5.3% so far in 2012. The Reuters/Jefferies CRB Index is trading this morning at a reading of 289.11, just below its 10-year average of 289.84, according to Bloomberg. Its 10-year high was 473.52 on 7/2/08. The U.S. Dollar Index (DXY) is trading at a reading of 81.96, also fairly close to its 10-year average of 84.96. The 10-year low for DXY was 71.33 on 4/22/08. Investors who have missed out on commodity rallies in the past may be presented with another entry point in the near future.

Thursday, May 17, 2012

There is a growing appetite for municipal bonds, according to *Forbes*. It cites a lack of meaningful new supply, potential for higher taxes following the election in November and the absence of a spike in defaults as reasons for higher demand. While new issuance this year is running ahead of last year's pace, close to 70% was sold to refinance existing debt. *Forbes* estimates that municipalities will return approximately $140 billion to bondholders via distributions/returns of principal over the next four months, while issuing only $140 billion worth of new issues. If the Bush tax cuts are not extended beyond the end of 2012, individual investors are likely to pay more in taxes. Currently, 75% of outstanding municipal bonds are owned by retail investors, according to *Forbes*.

Friday, May 18, 2012

Actively managed ETFs have yet to make a splash in the $1.2 trillion ETF industry, according to MarketWatch.com. ETF Industry Association data shows that actively managed ETFs, first launched in 2008, had just $5.8 billion in assets under management as of mid-April, less than a 1.0% share of the $1.2 trillion market. Of the 47 actively managed ETFs trading today, 29 came to market after 2010.