First Trust

Market Watch

Week of July 16th

Stock Index Performance

Index	Week	YTD	12-mo.	2011	5-yr.
Dow Jones Industrial Avg. (12,777)	0.04%	6.07%	5.14%	8.41%	1.10%
S&P 500 (1,357)	0.17%	9.15%	5.28%	2.12%	-0.50%
NASDAQ 100 (2,585)	-1.04%	14.11%	11.08%	3.69%	5.74%
S&P 500 Growth	0.10%	10.01%	7.21%	4.70%	2.36%
S&P 500 Value	0.26%	8.11%	3.19%	-0.48%	-3.42%
S&P MidCap 400 Growth	-0.42%	7.70%	-4.46%	-0.95%	3.47%
S&P MidCap 400 Value	-0.51%	8.80%	-0.26%	-2.40%	0.46%
S&P SmallCap 600 Growth	-0.49%	8.71%	-0.04%	3.67%	2.95%
S&P SmallCap 600 Value	-0.05%	8.72%	1.64%	-1.34%	0.00%
MSCI EAFE	-0.75%	1.52%	-13.63%	-12.14%	-6.94%
MSCI World (ex US)	-1.06%	1.53%	-14.57%	-13.71%	-5.62%
MSCI World	-0.30%	5.09%	-4.98%	-5.54%	-3.73%
MSCI Emerging Markets	-2.02%	2.90%	-16.29%	-18.42%	-1.86%

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 7/13/12.

S&P Sector Performance

Index	Week	YTD	12-mo.	2011	5-yr.
Consumer Discretionary	-0.40%	12.62%	9.42%	6.24%	3.51%
Consumer Staples	1.10%	10.40%	16.01%	14.03%	8.22%
Energy	0.74%	-1.97%	-8.02%	4.72%	-0.40%
Financials	1.64%	14.25%	0.06%	-17.07%	-14.74%
Health Care	1.36%	11.34%	10.46%	12.77%	3.36%
Industrials	-0.92%	4.92%	-2.46%	-0.59%	-1.44%
Information Technology	-1.66%	10.94%	10.40%	2.43%	3.21%
Materials	-1.21%	4.87%	-9.28%	-9.68%	-1.54%
Telecom Services	0.73%	18.31%	17.89%	6.33%	1.85%
Utilities	1.52%	5.94%	16.52%	20.02%	2.46%

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 7/13/12.

Bond Index Performance

Index	Week	YTD	12-mo.	2011	5-yr.
U.S. Treasury: Intermediate	0.10%	1.51%	4.78%	6.57%	6.05%
GNMA 30 Year	0.32%	2.33%	6.12%	7.97%	7.30%
U.S. Aggregate	0.38%	3.30%	7.25%	7.84%	7.02%
U.S. Corporate High Yield	0.20%	8.08%	7.43%	4.98%	8.69%
U.S. Corporate Investment Grade	0.71%	6.35%	9.44%	8.15%	8.05%
Municipal Bond: Long Bond (22+)	0.99%	7.96%	16.07%	14.88%	5.95%
Global Aggregate	0.43%	1.70%	2.52%	5.64%	6.57%

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 7/13/12.

Key Rates

As of 7/13/12

Fed Funds	0.00-0.25%	5-yr CD	1.33%
LIBOR (1-month)	0.25%	2-yr T-Note	0.24%
CPI - Headline	1.70%	5-yr T-Note	0.62%
CPI - Core	2.30%	10-yr T-Note	1.48%
Money Market Accts.	0.46%	30-yr T-Bond	2.57%
Money Market Funds	0.03%	30-yr Mortgage	3.65%
6-mo CD	0.47%	Prime Rate	3.25%
1-yr CD	0.69%	Bond Buyer 40	4.35%

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

Market Indicators

As of 7/13/12

TED Spread	36 bps
Investment Grade Spread (A2)	235 bps
ML High Yield Master II Index Spread	641 bps

Sources: Bloomberg and Merrill Lynch via Bloomberg.

Weekly Fund Flows

Estimated Flows to Long-Term Mutual Funds for the Week Ended 7/3/12

	Current Week		Previous	
Domestic Equity	-$3.135	Billion	-$1.459	Billion
Foreign Equity	$300	Million	$362	Million
Taxable Bond	$2.513	Billion	$3.260	Billion
Municipal Bond	$870	Million	$1.077	Billion

Change in Money Market Fund Assets for the Week Ended 7/11/12

	Current Week		Previous	
Retail	-$1.56	Billion	$3.80	Billion
Institutional	$20.13	Billion	-$9.11	Billion

Source: Investment Company Institute

Factoids for the week of July 9th – 13th

Monday, July 9, 2012

Aon Hewitt data shows that only about 15% of investors initiated a change to their 401(k) holdings in 2011, according to the *Los Angeles Times*. Most employ the "set it and forget it" philosophy. There is, however, a growing segment of 401(k) plan participants that are trading their retirement savings. Approximately 29% of all plans now offer a brokerage account option, up from 12% a decade ago, according to Aon Hewitt. Its research also shows that more and more baby boomers are attempting to day trade in order to boost returns. Many cite the losses sustained from two bear markets as their motivation for trying. The average 60-year-old has only $114,500 in 401(k) savings, but half have less than $37,300. The Center for Retirement Research at Boston College estimates that Americans are a combine $6.6 billion shy of the amount they will need to retire comfortably.

Tuesday, July 10, 2012

M&A activity is starting to accelerate again following a couple of modest quarters, as evidenced by foreign investors' interest in U.S. businesses. In Q2'12, the value of announced transactions involving foreign acquirers of U.S. targets totaled $47.7 billion (631 deals), up 46% from a year ago when volume totaled $32.6 billion (628 deals), according to S&P Capital IQ. It was the best quarter since Q3'10, when deal volume hit $48.7 billion (538 deals). The increase in activity has spilled over into Q3'12, as evidenced by a rise in announced U.S. M&A volume. From 7/1 through 7/9, total deal volume involving U.S. targets (domestic & foreign buyers) hit $20.9 billion (206 deals), up 37% from the same period a year ago and the most since 2007.

Wednesday, July 11, 2012

Moody's reported that the *global speculative-grade* default rate stood at 2.7% in June, the same as May, according to Barron's. Moody's is forecasting a default rate of 3.0% for December 2012. The historical average for the default rate on speculative-grade debt has been 4.8% since 1983. The *U.S. speculative-grade* default rate stood at 3.1% in June, the same as May. The rate was 2.6% a year ago. The default rate on senior loans stood at 1.08% in June, up from 0.92% in May, according to Standard & Poor's LCD. Its latest quarterly buyside survey of leveraged loan managers revealed that they expect default rates to trend higher over the next 12-18 months, but remain below their historical average of 3.4%.

Thursday, July 12, 2012

The FTSE NAREIT Equity REITs Index posted a total return of 3.99% in Q2'12, compared to a 2.75% decline for the S&P 500. In the first half of 2012, equity REITs were up 14.89%, compared to 9.48% for the S&P 500. Every sector of the REIT market posted a double-digit gain, with the exception of apartments, in the first half, according to REIT.com. The FTSE NAREIT Equity REITs Index closed yesterday's trading session with a dividend yield of 3.22%, well above the 2.14% dividend yield on the S&P 500 and more than double the 1.52% interest rate on the 10-Year T-Note. Another sign of strength for REITs is their ability to raise capital. REITs raised a total of $33.21 billion in the first half, putting them on track to surpass last year's record total of $51.28 billion.

Friday, July 13, 2012

Research firm EPFR reported that global mutual fund managers have raised their cash positions, on average, to 4.2%, a 45% increase from last year at this point and the highest level in five years, according to SmartMoney.com. Feedback suggests that the managers are split between raising cash to take advantage of potential buying opportunities versus those that fear a market downturn. A recent survey from Barclays found that investors worldwide view the prospects for the U.S. markets as relatively strong, according to Kiplinger.com. Nearly 80% of credit investors view America as the best "bet" and more than 50% of stock investors as well.