First Trust

Market Watch

Week of July 2nd

Stock Index Performance

Index	Week	YTD	12-mo.	2011	5-yr.
Dow Jones Industrial Avg. (12,880)	1.91%	6.83%	6.63%	8.41%	2.00%
S&P 500 (1,362)	2.08%	9.49%	5.45%	2.12%	0.22%
NASDAQ 100 (2,516)	1.18%	15.43%	13.73%	3.69%	7.03%
S&P 500 Growth	1.88%	9.96%	7.78%	4.70%	3.05%
S&P 500 Value	2.32%	8.92%	3.00%	-0.48%	-2.67%
S&P MidCap 400 Growth	2.51%	7.73%	-3.59%	-0.95%	4.19%
S&P MidCap 400 Value	3.53%	8.44%	-0.62%	-2.40%	1.07%
S&P SmallCap 600 Growth	3.01%	8.87%	1.41%	3.67%	3.55%
S&P SmallCap 600 Value	3.65%	7.50%	1.98%	-1.34%	0.39%
MSCI EAFE	3.20%	2.96%	-13.83%	-12.14%	-6.09%
MSCI World (ex US)	2.91%	2.77%	-14.57%	-13.71%	-4.62%
MSCI World	2.54%	5.91%	-4.98%	-5.54%	-2.95%
MSCI Emerging Markets	2.25%	3.93%	-15.95%	-18.42%	-0.09%

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 6/29/12.

S&P Sector Performance

Index	Week	YTD	12-mo.	2011	5-yr.
Consumer Discretionary	0.95%	12.95%	10.74%	6.24%	3.99%
Consumer Staples	2.51%	8.57%	14.69%	14.03%	8.34%
Energy	4.81%	-2.35%	-8.19%	4.72%	0.93%
Financials	2.22%	13.72%	-2.68%	-17.07%	-14.53%
Health Care	1.67%	10.97%	9.80%	12.77%	3.73%
Industrials	2.68%	7.35%	-1.22%	-0.59%	-0.16%
Information Technology	0.86%	13.34%	13.73%	2.43%	4.59%
Materials	2.96%	6.53%	-7.22%	-9.68%	-0.04%
Telecom Services	1.33%	16.51%	15.68%	6.33%	1.58%
Utilities	1.90%	4.82%	15.26%	20.02%	2.93%

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 6/29/12.

Bond Index Performance

Index	Week	YTD	12-mo.	2011	5-yr.
U.S. Treasury: Intermediate	0.12%	1.08%	5.40%	6.57%	5.95%
GNMA 30 Year	0.07%	1.66%	5.99%	7.97%	7.14%
U.S. Aggregate	0.11%	2.37%	7.47%	7.84%	6.79%
U.S. Corporate High Yield	0.61%	7.27%	7.27%	4.98%	8.45%
U.S. Corporate Investment Grade	0.22%	4.65%	9.71%	8.15%	7.64%
Municipal Bond: Long Bond (22+)	0.11%	6.56%	15.62%	14.88%	5.67%
Global Aggregate	0.67%	1.50%	2.73%	5.64%	6.70%

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 6/29/12.

Key Rates

As of 6/29/12

Fed Funds	0.00-0.25%	5-yr CD	1.36%
LIBOR (1-month)	0.25%	2-yr T-Note	0.30%
CPI - Headline	1.70%	5-yr T-Note	0.71%
CPI - Core	2.30%	10-yr T-Note	1.64%
Money Market Accts.	0.46%	30-yr T-Bond	2.75%
Money Market Funds	0.03%	30-yr Mortgage	3.69%
6-mo CD	0.46%	Prime Rate	3.25%
1-yr CD	0.68%	Bond Buyer 40	4.38%

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

Market Indicators

As of 6/29/12

TED Spread	37 bps
Investment Grade Spread (A2)	243 bps
ML High Yield Master II Index Spread	644 bps

Sources: Bloomberg and Merrill Lynch via Bloomberg.

Weekly Fund Flows

Estimated Flows to Long-Term Mutual Funds for the Week Ended 6/20/12

	Current Week		Previous	
Domestic Equity	-$1.845	Billion	-$620	Million
Foreign Equity	$327	Million	$1.511	Billion
Taxable Bond	$4.031	Billion	$2.994	Billion
Municipal Bond	$860	Million	$604	Million

Change in Money Market Fund Assets for the Week Ended 6/27/12

	Current Week		Previous	
Retail	-$8.50	Billion	$0.85	Billion
Institutional	$11.93	Billion	-$21.71	Billion

Source: Investment Company Institute

Factoids for the week of June 25th – 29th

Monday, June 25, 2012

Bankrate.com just released research showing that only 25% of Americans have an emergency savings fund capable of covering six months of living expenses, according to CNNMoney.com. Approximately 49% of Americans do not have enough to cover even three months of expenses, up from 46% last year. Twenty-eight percent have no cushion at all, up from 24% last year.

Tuesday, June 26, 2012

The global pharmaceuticals industry generated record sales of $880 billion in 2011, according to Reuters. The number of new drugs brought to market last year totaled 31 – a 10-year high. One of the reasons cited for the increase in approvals is an improvement in R&D efficiency. Simply put, drug companies are doing a better job of allocating their assets to the most promising projects. The number of drugs terminated in the final Phase III stage of clinical trials has declined markedly since 2010. Drug companies are also making a concerted effort to target rarer, untreated diseases.

Wednesday, June 27, 2012

Over the past decade, college costs exceeded inflation by as much as 6 percentage points per year, according to Kiplinger.com. The average student debt load at graduation was $24,000 in 2009, according to the Project on Student Debt. Of the 3.4 million federal-loan borrowers who entered their repayment phase in 2008, 7% defaulted on their loans within the first year, the highest percentage in over a decade. That figure does not include any borrowers who fell behind on their payments without defaulting. A borrower is technically in default after 270 days, but many lenders wait 360 days before making it official. Being in default can get costly once you add in fees, interest and collection costs. A $2,000 loan that defaulted 20 years ago is now valued at $30,000, according to Paul Combe at American Student Assistance.

Thursday, June 28, 2012

S&P 500 stock buybacks totaled $84.3 billion in Q1'12, down 3.8% from the $87.6 billion executed in Q4'11, according to Standard & Poor's. It was the second consecutive quarterly decline following nine consecutive quarterly gains. It was the first y-o-y quarterly decline (-6.2%) since Q4'09. Dividend distributions also dipped slightly from $65.89 billion in Q4'11 to $64.1 billion in Q1'12. Companies were stingier with their cash in Q1'12 despite the fact that the S&P 500 posted a total return of 12.6%.

Friday, June 29, 2012

Those investors unwilling to allocate capital to U.S. equities out of fear of volatility should know that pronounced market swings have been a part of the experience since at least 1928, according to Kiplinger.com. The S&P 500 has returned an annualized 9.8% (including dividends), since 1926, according to Ibbotson Associates/Morningstar. Since 1928, the S&P 500 has experienced an average intra-year decline of 13.5% (peak to trough), according to the Leuthold Group. The S&P 500 posted intra-year declines of 27.6% in 2009 and 16.0% in 2010, yet the index posted a cumulative total return of 45.5% over that two-year period.