First Trust

Market Watch

Week of July 23rd

Stock Index Performance

Index	Week	YTD	12-mo.	2011	5-yr.
Dow Jones Industrial Avg. (12,823)	0.42%	6.51%	4.84%	8.41%	1.26%
S&P 500 (1,363)	0.46%	9.65%	5.10%	2.12%	-0.17%
NASDAQ 100 (2,618)	1.28%	15.57%	10.84%	3.69%	5.97%
S&P 500 Growth	0.82%	10.91%	6.93%	4.70%	2.65%
S&P 500 Value	0.03%	8.14%	3.06%	-0.48%	-3.09%
S&P MidCap 400 Growth	0.10%	7.81%	-4.05%	-0.95%	3.77%
S&P MidCap 400 Value	-0.74%	8.00%	-0.92%	-2.40%	0.57%
S&P SmallCap 600 Growth	-0.52%	8.15%	-0.08%	3.67%	3.15%
S&P SmallCap 600 Value	-1.16%	7.46%	1.03%	-1.34%	0.12%
MSCI EAFE	0.43%	1.96%	-13.07%	-12.14%	-6.75%
MSCI World (ex US)	0.69%	2.23%	-13.94%	-13.71%	-5.44%
MSCI World	0.49%	5.60%	-4.80%	-5.54%	-3.49%
MSCI Emerging Markets	1.23%	4.17%	-15.25%	-18.42%	-1.71%

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 7/20/12.

S&P Sector Performance

Index	Week	YTD	12-mo.	2011	5-yr.
Consumer Discretionary	0.32%	12.99%	10.16%	6.24%	3.90%
Consumer Staples	-0.73%	9.59%	14.75%	14.03%	8.38%
Energy	2.64%	0.62%	-8.13%	4.72%	0.04%
Financials	-2.35%	11.56%	-2.31%	-17.07%	-14.55%
Health Care	0.20%	11.57%	11.62%	12.77%	3.86%
Industrials	0.86%	5.81%	-1.12%	-0.59%	-1.39%
Information Technology	1.90%	13.05%	9.73%	2.43%	3.52%
Materials	1.85%	6.80%	-7.81%	-9.68%	-1.04%
Telecom Services	-0.37%	17.87%	18.84%	6.33%	2.05%
Utilities	0.82%	6.81%	17.30%	20.02%	2.73%

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 7/20/12.

Bond Index Performance

Index	Week	YTD	12-mo.	2011	5-yr.
U.S. Treasury: Intermediate	0.20%	1.72%	5.08%	6.57%	5.96%
GNMA 30 Year	0.23%	2.56%	6.48%	7.97%	7.26%
U.S. Aggregate	0.43%	3.74%	7.94%	7.84%	6.99%
U.S. Corporate High Yield	0.55%	8.68%	7.78%	4.98%	8.96%
U.S. Corporate Investment Grade	1.08%	7.50%	11.12%	8.15%	8.15%
Municipal Bond: Long Bond (22+)	0.67%	8.68%	16.66%	14.88%	5.97%
Global Aggregate	0.46%	2.17%	2.87%	5.64%	6.44%

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 7/20/12.

Key Rates

As of 7/20/12

Fed Funds	0.00-0.25%	5-yr CD	1.42%
LIBOR (1-month)	0.25%	2-yr T-Note	0.20%
CPI - Headline	1.70%	5-yr T-Note	0.57%
CPI - Core	2.20%	10-yr T-Note	1.45%
Money Market Accts.	0.47%	30-yr T-Bond	2.54%
Money Market Funds	0.03%	30-yr Mortgage	3.59%
6-mo CD	0.46%	Prime Rate	3.25%
1-yr CD	0.70%	Bond Buyer 40	4.26%

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

Market Indicators

As of 7/20/12

TED Spread	36 bps
Investment Grade Spread (A2)	228 bps
ML High Yield Master II Index Spread	628 bps

Sources: Bloomberg and Merrill Lynch via Bloomberg.

Weekly Fund Flows

Estimated Flows to Long-Term Mutual Funds for the Week Ended 7/11/12

	Current Week		Previous	
Domestic Equity	-$1.467	Billion	-$3.135	Billion
Foreign Equity	$927	Million	$300	Million
Taxable Bond	$5.218	Billion	$2.513	Billion
Municipal Bond	$1.171	Billion	$870	Million

Change in Money Market Fund Assets for the Week Ended 7/18/12

	Current Week		Previous	
Retail	-$0.39	Billion	-$1.56	Billion
Institutional	-$11.86	Billion	$20.13	Billion

Source: Investment Company Institute

Factoids for the week of July 16th – 20th

Monday, July 16, 2012
Retirement plan assets total a record $4.8 trillion, according to the *Los Angeles Times*. The average plan offered 19 separate investment choices in 2011, up from 16 in 2002, according to a Vanguard Group survey. Data shows that more and more investors are using target-date funds. Target-date assets are allocated based on a specific retirement date, such as 2040. The survey found that 82% of plans now offer the funds, up from 57% in 2007. Forty-seven percent of plan participants utilize a target-date fund, up from just 18% in 2007.

Tuesday, July 17, 2012
While homebuilding-related stocks in the U.S. have enjoyed a strong rally so far in 2012, there is still room to run, according to CNNMoney.com. The S&P Homebuilding Select Index has posted a total return of 26.82% this year through 7/16, well above the S&P 500's gain of 8.89%. The index currently stands 61% below its 5-year high. Census figures show that only 475,000 new homes, on average, were built in each of the past three years, down from a long-term yearly average of 1.1 million. Housing starts are just 20% of their peak in 2006, according to Mike Castleman, CEO of research firm Metrostudy. Higher homebuilder confidence of late is translating into increased shipments of lumber, according to Capital Economics. With lumber prices still depressed, it believes that homebuilders may be starting to stockpile lumber in order to increase production.

Wednesday, July 18, 2012
A report released yesterday by S&P Dow Jones Indices revealed record Pension and OPEB (Other Post Employment Benefits) underfunding for the S&P 500 companies, according to its own release. S&P 500 defined pensions reached an underfunding status of $354.7 billion in 2011, up $100 billion from 2010 and surpassing the previous record of $308.4 billion in 2008. OPEB underfunded levels stood at $223.4 billion in 2011, up from $210.1 billion in 2010. Discount rates fell for the third year in a row, dropping 60 basis points in 2011 to 4.71%. The lower the discount rate goes the higher projected obligations rise. More companies are transferring the responsibility away from themselves to the individual by shifting from pensions to 401(k) plans.

Thursday, July 19, 2012
While M&A activity was off by about 25% worldwide in the first half of 2012, deal making in the biotechnology sector has been strong, at least in the U.S., according to data from Thomson Reuters. U.S. biotech M&A volume is up 63% in 2012, and it is not expected to slow moving forward. Bankers believe that the demand for new drugs from the big pharmaceutical companies will continue to fuel mergers. The NYSE Arca Biotechnology Index is up 40.2% year-to-date through May 18, compared to gains of 13.2% for the S&P 500 Health Care Index and 10.5% for the S&P 500.

Friday, July 20, 2012
A string of costly natural disasters in recent years has motivated U.S. farmers to increase the amount of insurance coverage on their crops, according to Reuters. The focus now is on the impact the drought will have on corn production. In 2004, those farmers who took out policies at 75% or more coverage represented less than 40% of total insured acreage, according to data from the U.S. Department of Agriculture Risk Management Agency (RMA). In 2011, that share stood at 63%.The government just cut its production forecast for 2012 by 12% last week. Since the 15th of June, the price of a bushel of corn has surged from $5.06 to $7.94 as of this morning.