First Trust

Weekly Market Commentary & Developments

Week Ended August 24, 2012

US Economy and Credit Markets

Yields and Weekly Changes:

3 Mo. T-Bill:	0.09 (+02 bps)	GNMA (30 Yr) 6% Coupon:	112-16/32 (1.24%)
6 Mo. T-Bill:	0.13 (-01 bps)	Duration:	3.54 years
1 Yr. T-Bill:	0.18 (unch.)	30-Year Insured Revs:	168.5% of 30 Yr. T-Bond
2 Yr. T-Note:	0.27 (-02 bps)	Bond Buyer 40 Yield:	4.23% (-03 bps)
3 Yr. T-Note:	0.37 (-05 bps)	Crude Oil Futures:	96.15 (-.14)
5 Yr. T-Note:	0.71 (-08 bps)	Gold Futures:	1669.80 (+53.5)
10 Yr. T-Note:	1.68 (-12 bps)	Merrill Lynch High Yield Indices:	
30 Yr. T-Bond:	2.80 (-13 bps)	BB, 7-10 Yr.:	5.64% (-03 bps)
		B, 7-10 Yr.:	7.06% (-05 bps)

Treasuries rallied this week as dovish comments from the Federal Reserve regarding further stimulus and weak U.S. economic data sent yields downward. Earlier in the week, however, prices for treasuries were relatively stable. On Monday and Tuesday treasuries were relatively flat and prices moved little, as investors speculated that the ECB would take steps to cap yields on European countries borrowing costs causing some intraday declines. However, most of the declines were pared as details about any prospective plan failed to emerge and a bid for safe assets kept treasuries steady. On Wednesday, yields pushed lower and Treasuries snapped four days of declines as July Existing Home Sales declined 2.3% MoM to 4.47M against expectations of 3.2% MoM and 4.51M. The rise in treasuries continued on Thursday when presidential candidate Mitt Romney said he did not back a third round of quantitative easing, though Fed minutes released the day before strongly suggested they would support it. July new home sales also missed expectations, printing at 372K vs. and expectation of 365K. On Friday, treasuries pared gains, as Federal Reserve Chairman Ben Bernake stated that "further action" from the Fed may be warranted to spur economic growth and Durable Goods Orders were 4.2% vs. 2.5% expectations. Major economic reports (and related consensus forecasts) for next week include: Tuesday: June S&P/Case-Shiller 20 City Home Price (+.4% MoM), August Consumer Confidence (65.8), August Richmond Fed Manufacturing (-10); Wednesday: 2Q GDP (+1.7%), 2Q Personal Consumption (+1.5%), 2Q GDP Price Index 2Q (+1.6%), 2Q Core PCE (+1.8%), July Pending Home Sales (+1% MoM); Thursday: July Personal Income and Spending (+.3% and +.5%, respectively), July Core PCE (+.1% MoM); Friday: August Chicago Purchasing Manager (53.5), August U. of Michigan Consumer Confidence (73.6), July Factory Orders (+1.7%)

US Equities

Weekly Index Performance:

DJIA:	13,157.97 (-117.23, -0.88%)
S&P 500:	1,411.13 (-7.03, -0.50%)
S&P MidCap:	970.17 (-7.68, -0.79%)
S&P Small Cap:	455.93 (-5.26, -1.14%)
NASDAQ Comp:	3,069.79 (-6.80, -0.22%)
Russell 2000:	809.19 (-10.70, -1.31%)

Market Indicators:

Strong Sectors:	Health Care, Financials, Consumer Discretionary
Weak Sectors:	Utilities, Industrials, Telecommunications
NYSE Advance/Decline:	1,147/ 2,009
NYSE New Highs/New Lows:	326 / 45
AAII Bulls/Bears:	42.0% / 25.9%

Last week, the S&P 500 Index had negative performance with a -0.47% return. This was the first weekly decline for the S&P 500 Index since the first week of July. Monday started the week out unchanged. While Tuesday lost 0.35% and Wednesday was flat, the big move of the week came on Thursday with a negative 0.81%. Investors' anxiousness increased as European leaders gave cautious comments concerning the economic outlook of the region. Materials and financials, economic sensitive industries, led the pullback as all ten sectors were down for Thursday. Friday the index rose 0.66% on the following comments from Federal Reserve Chairman Ben Bernanke: "There is scope for further action by the Federal Reserve to ease financial conditions and strengthen the recovery." This gave investors a sense that Chairman Bernanke would potentially do something if needed. In the US, initial jobless claims increased the past week to 372K from 366K the prior week with a consensus of 365K. Eight of the ten economic sectors had negative performance last week. Health care was the strongest with a 0.74% return for the week and the financials' sector was flat with a 0.01% return. The worst performing sector was utilities with a -1.35% return and was followed by industrials and telecommunication services which returned -1.21% and -1.13% respectively. **Coventry Health Care Inc.**, a managed health care company, turned in the best performance in the S&P 500 Index with a 19.46% return for the week. This increase is attributed to Monday's offer to purchase the health care company by **Aetna Inc.** at a 20% premium over its previous Friday close. The next two best performers were **Urban Outfitters Inc.** and **First Solar** with returns of 17.64% and 16.51% respectively. This week will bring earnings news from companies such as **Tiffany & Co**, **Joy Global, Brown-Forman Corp, HJ Heinz Co** and **SAIC Inc.**