First Trust

Weekly Market Commentary & Developments

Week Ended August 31, 2012

US Economy and Credit Markets

Yields and Weekly Changes:

3 Mo. T-Bill:	0.07 (-02 bps)	GNMA (30 Yr) 6% Coupon:	112-14/32 (1.26%)
6 Mo. T-Bill:	0.13 (unch.)	Duration:	3.49 years
1 Yr. T-Bill:	0.16 (-02 bps)	30-Year Insured Revs:	168.5% of 30 Yr. T-Bond
2 Yr. T-Note:	0.22 (-05 bps)	Bond Buyer 40 Yield:	4.21% (-02 bps)
3 Yr. T-Note:	0.29 (-07 bps)	Crude Oil Futures:	96.47 (+.32)
5 Yr. T-Note:	0.59 (-12 bps)	Gold Futures:	1685.30 (+15.5)
10 Yr. T-Note:	1.55 (-14 bps)	Merrill Lynch High Yield Indices:	
30 Yr. T-Bond:	2.67 (-13 bps)	BB, 7-10 Yr.:	5.66% (+02 bps)
		B, 7-10 Yr.:	6.94% (-12 bps)

Treasuries rallied this week as U.S. economic data was mixed and investors awaited the comments of Federal Reserve Chairman Ben Bernanke in his Friday speech at Jackson Hole. Treasuries rose on Monday and 10 year notes snapped their longest losing streak in a year as investors speculated Bernanke's speech would announce an additional round of bond purchases. Prices continued to climb on Tuesday as a government auction of $35B in two-year securities drew strong bids and August Consumer Confidence missed expectations printing at 60.6 against expectations of 66. A report also showed that the June S&P Case-Shiller home prices rose .5% YoY in 20 US cities when economists had expected a -.05% decline. Positive economic data on Wednesday showed 2Q GDP grew at 1.7%, in-line with expectations and July Pending Home Sales beat expectations, increasing 2.4% MoM vs. a 1% expectation, causing Treasuries to decline. On Thursday, Treasuries rose again as reports showed that inflation moderated, July Personal Income and Spending were largely in line with expectations, and dovish comments from the Fed were expected. In his speech on Friday, Ben Bernanke stated that he wouldn't rule out a third round of quantitative easing and treasuries rallied to close the week higher. Additionally, the August Chicago PMI was 53 vs. a 53.2 expectation and August U. of Michigan Confidence was 74.3 vs. a 73.6 expectation. Major economic reports (and related consensus forecasts) for the shortened holiday week next week include: Tuesday: August ISM Manufacturing (50), July Construction Spending (+.04% MoM), August Total/Domestic Vehicle Sales (14.2/11.05M); Wednesday: 2Q Nonfarm Productivity (1.8%); Thursday: August ADP Employment Change (145k) and ISM Non-Manf. Composite (52.5); Friday: August Change in Nonfarm/Private Payrolls (125K/140K) and August Unemployment Rate (8.3%)

US Stocks

Weekly Index Performance:

DJIA:	13090.8 (-67.13, -0.45%)
S&P 500:	1406.58 (-4.55, -0.28%)
S&P MidCap:	971.55 (1.39, 0.19%)
S&P Small Cap:	457.91 (1.98, 0.47%)
NASDAQ Comp:	3066.97 (-2.82, -0.06%)
Russell 2000:	812.09 (2.90, 0.40%)

Market Indicators:

Strong Sectors:	Cons. Discretionary, Health Care, Financials
Weak Sectors:	Industrials, Utilities, Energy
NYSE Advance/Decline:	1,693 / 1,437
NYSE New Highs/New Lows:	323 / 61
AAII Bulls/Bears:	34.7% / 32.6%

Last week, the markets traded quietly through Wednesday before a quick drop Thursday and subsequent boost Friday resulted in a -0.28% return for the week. The drop on Thursday was predicated by weak economic news around the globe. In Europe there were poor economic confidence measures, in Japan retail sales fell more than forecasts and in South Korea confidence stayed near their lowest levels since the financial crisis started. On Friday the markets were spurred by Fed. Chairman Ben Bernanke stating he would not rule out more economic stimulus to lower jobless rates which he described as a "grave concern." **Apple Inc.** enjoyed a positive start to the week as a jury found **Samsung Electronics Co.** infringed on six of seven patents for its mobile devices. **Google Inc.** sunk -1.4% on the news as a potential patent battle between Apple and Google appears to be more likely. **Tiffany & Co.** announced earnings Monday and while EPS came in line the company raised guidance which buoyed the stock price +7.2%. The worst performing stock in the S&P 500 was **First Solar Inc.** had a -21% return for the week after it was announced that sales would slow the rest of the year. Hurricane Isaac made land fall this week near New Orleans and the preliminary estimates are it may cost insurers as much as $2 billion to fix the damage, a fraction of the some $41 billion for Katrina. Next week will see earnings season come to an end as only three companies with a market cap over $10 billion dollars are expected to report: **Dollar General Co., Kroger Co.** and **Campbell Soup Co.**