First Trust

# Market Watch

Week of November 18th

## Stock Index Performance

| Index | Week | YTD | 12-mo. | 2012 | 5-yr. |
|---|---|---|---|---|---|
| Dow Jones Industrial Avg. (15,962) | 1.37% | 24.51% | 30.53% | 10.24% | 16.62% |
| S&P 500 (1,798) | 1.61% | 28.46% | 35.78% | 16.00% | 18.09% |
| NASDAQ 100 (3,423) | 1.70% | 30.25% | 37.72% | 18.35% | 25.09% |
| S&P 500 Growth | 1.89% | 28.23% | 34.28% | 14.71% | 19.37% |
| S&P 500 Value | 1.32% | 28.70% | 37.55% | 17.77% | 16.76% |
| S&P MidCap 400 Growth | 2.28% | 28.85% | 37.70% | 17.62% | 24.35% |
| S&P MidCap 400 Value | 1.82% | 31.43% | 43.86% | 19.10% | 22.10% |
| S&P SmallCap 600 Growth | 1.55% | 37.51% | 50.22% | 15.27% | 23.68% |
| S&P SmallCap 600 Value | 1.09% | 34.23% | 48.78% | 18.88% | 21.66% |
| MSCI EAFE | 1.67% | 19.99% | 30.29% | 17.32% | 13.32% |
| MSCI World (ex US) | 1.49% | 13.45% | 22.96% | 16.83% | 13.78% |
| MSCI World | 1.63% | 23.45% | 32.05% | 15.83% | 15.52% |
| MSCI Emerging Markets | 1.02% | -2.48% | 5.75% | 18.22% | 16.41% |

**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 11/15/13.

## S&P Sector Performance

| Index | Week | YTD | 12-mo. | 2012 | 5-yr. |
|---|---|---|---|---|---|
| Consumer Discretionary | 2.56% | 38.37% | 47.33% | 24.14% | 29.97% |
| Consumer Staples | 1.72% | 26.53% | 30.37% | 11.08% | 16.50% |
| Energy | 1.33% | 22.94% | 28.01% | 4.64% | 13.49% |
| Financials | 1.36% | 30.53% | 41.90% | 28.92% | 12.86% |
| Health Care | 2.14% | 38.00% | 43.34% | 17.89% | 18.65% |
| Industrials | 1.32% | 34.12% | 44.27% | 15.42% | 19.86% |
| Information Technology | 1.30% | 21.67% | 28.62% | 14.82% | 21.49% |
| Materials | 1.68% | 21.43% | 32.29% | 15.24% | 18.42% |
| Telecom Services | 0.78% | 13.12% | 16.18% | 18.31% | 14.45% |
| Utilities | 1.04% | 16.11% | 20.62% | 1.31% | 11.29% |

**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 11/15/13.

## Bond Index Performance

| Index | Week | YTD | 12-mo. | 2012 | 5-yr. |
|---|---|---|---|---|---|
| U.S. Treasury: Intermediate | 0.22% | -0.62% | -0.78% | 1.71% | 3.08% |
| GNMA 30 Year | 0.66% | -1.26% | -0.81% | 2.44% | 4.89% |
| U.S. Aggregate | 0.42% | -1.47% | -1.61% | 4.21% | 5.65% |
| U.S. Corporate High Yield | 0.14% | 6.16% | 9.42% | 15.81% | 18.71% |
| U.S. Corporate Investment Grade | 0.53% | -1.78% | -1.95% | 9.82% | 10.21% |
| Municipal Bond: Long Bond (22+) | 0.16% | -5.70% | -6.79% | 11.26% | 7.88% |
| Global Aggregate | 0.32% | -2.10% | -2.01% | 4.32% | 5.63% |

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 11/15/13.

## Key Rates

As of 11/15/13

| | | | |
|---|---|---|---|
| Fed Funds | 0.00-0.25% | 5-yr CD | 1.37% |
| LIBOR (1-month) | 0.17% | 2-yr T-Note | 0.29% |
| CPI - Headline | 1.20% | 5-yr T-Note | 1.34% |
| CPI - Core | 1.70% | 10-yr T-Note | 2.71% |
| Money Market Accts. | 0.45% | 30-yr T-Bond | 3.80% |
| Money Market Funds | 0.01% | 30-yr Mortgage | 4.30% |
| 6-mo CD | 0.40% | Prime Rate | 3.25% |
| 1-yr CD | 0.69% | Bond Buyer 40 | 5.09% |

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

## Market Indicators

As of 11/15/13

| | |
|---|---|
| TED Spread | 16 bps |
| Investment Grade Spread (A2) | 176 bps |
| ML High Yield Master II Index Spread | 438 bps |

**Sources: Bloomberg and Merrill Lynch via Bloomberg.**

## Weekly Fund Flows

Estimated Flows to Long-Term Mutual Funds for the Week Ended 11/6/13

| | Current Week | | Previous | |
|---|---|---|---|---|
| Domestic Equity | $5.407 | Billion | $4.284 | Billion |
| Foreign Equity | $3.633 | Billion | $3.623 | Billion |
| Taxable Bond | -$3.503 | Billion | -$3.355 | Billion |
| Municipal Bond | -$833 | Million | -$789 | Million |

Change in Money Market Fund Assets for the Week Ended 11/13/13

| | Current Week | | Previous | |
|---|---|---|---|---|
| Retail | -$2.78 | Billion | $1.35 | Billion |
| Institutional | -$0.37 | Billion | $2.52 | Billion |

**Source: Investment Company Institute.**

## Factoids for the week of November 11 - 15, 2013

***Monday, November 11, 2013***
Moody's reported that the global speculative-grade default rate stood at 2.8% in October, no change from September, according to its own release. The rate stood at 3.2% a year ago. Moody's is forecasting a default rate of 2.8% for December 2013. It sees it falling to 2.4% by October 2014. The historical average for the default rate on speculative-grade debt has been approximately 4.7% since 1983. The U.S. speculative-grade default rate stood at 2.5% in October, down from 2.6% in September. The rate stood at 3.6% a year ago. The default rate on senior loans stood at 1.64% in October, down from 1.78% in September, according to Standard & Poor's LCD. Year-to-date through September, open-end high yield bond funds reported net outflows totaling $4.44 billion, according to Morningstar. Bank loan funds (senior loans) reported net inflows totaling $51.51 billion.

***Tuesday, November 12, 2013***
Federal financial regulators have reported that close to $30 billion in home equity lines of credit issued in 2004 are due to reset in 2014, according to the *Los Angeles Times*. That total jumps to $53 billion in 2015 and then rises to $111 billion in 2018. These credit lines are essentially second mortgages with floating rates and flexible withdrawal terms. They tend to carry mandatory resets requiring borrowers to pay both principal and interest on their balances after 10 years. Borrowers usually pay interest-only in the first 10 years. The *Los Angeles Times* notes that the disparity between interest-only payments and reset payments can be substantial – as much as $500 to $600 more per month. For those borrowers unable to afford the higher payments, the bank could be forced to foreclose on their property if refinancing the terms of the loan or executing a loan modification are not options. CoreLogic data shows that 1 out of 7 homeowners in the U.S. owe more on their mortgage than their home is worth.

***Wednesday, November 13, 2013***
The U.S. IPO market has been strong in 2013. Year-to-date through 11/12, 199 IPOs were priced, up 64.5% from the 121 launched over the same period a year ago, according to Renaissance Capital. The last year in which pricings surpassed 200 was 2007 (213). Companies raised $48.0 billion from the 199 IPOs, up 17.0% from the $41.0 billion raised at this point last year. The number of IPO filings y-t-d totaled 229, well above the 140 filings registered throughout 2012.

***Thursday, November 14, 2013***
Data provided by Fidelity Investments shows that the average 401(k) balance within the plans it oversees rose 11% over the past 12 months, according to MarketWatch.com. The average balance was up 20% among investors who have participated in the same plan for at least 10 years. It reported that nearly 75% of the rise in the average balance came from stock market returns, while a little over 25% came from employee and employer contributions. The average balance currently stands at $84,300, but jumps to $223,100 for those who have participated in their plan for at least 10 years. Employers are getting more generous with matching employee contributions. A survey by Aon Hewitt found that 19% of employers now offer a dollar-for-dollar match up to the first 6% of employees' contribution rate, up from 10% of employers in 2011.

***Friday, November 15, 2013***
While the price of an ounce of silver has declined by roughly 31.5% so far in 2013, demand for silver coins has already set a calendar-year record, according to MarketWatch.com. Sales of American Eagle one-ounce silver bullion coins reached 40.175 million ounces this past Tuesday, eclipsing the previous record high of 39.869 million ounces in 2011, according to the U.S. Mint. The rise in demand for silver is validated by increased flows to ETFs. Holdings in silver ETFs reached a record high 655 million ounces on 10/31/13. Demand is up worldwide due to growing industrial demand, large numbers of new middle class participants looking to diversify their assets, interest from investors skeptical of the prospects for the world economy and the affordability of silver (approximately $21.00 per ounce) relative to the price of gold bullion (approximately $1,287.00 per ounce), according to Edmund Moy, chief strategist at Morgan Gold and former director of the U.S. Mint from 2006-2011.