First Trust

Market Watch

Week of December 16th

Stock Index Performance

Index	Week	YTD	12-mo.	2012	5-yr.
Dow Jones Industrial Avg. (15,755)	-1.59%	23.22%	22.65%	10.24%	15.94%
S&P 500 (1,775)	-1.61%	27.05%	27.76%	16.00%	17.60%
NASDAQ 100 (3,456)	-1.35%	31.72%	32.12%	18.35%	24.78%
S&P 500 Growth	-1.60%	27.40%	27.70%	14.71%	18.82%
S&P 500 Value	-1.61%	26.68%	27.88%	17.77%	16.35%
S&P MidCap 400 Growth	-1.31%	27.14%	28.76%	17.62%	23.58%
S&P MidCap 400 Value	-1.69%	29.06%	31.86%	19.10%	21.03%
S&P SmallCap 600 Growth	-1.94%	36.54%	40.94%	15.27%	23.09%
S&P SmallCap 600 Value	-1.93%	33.73%	37.84%	18.88%	20.86%
MSCI EAFE	-1.57%	16.50%	18.05%	17.32%	12.34%
MSCI World (ex US)	-1.44%	10.41%	11.78%	16.83%	12.86%
MSCI World	-1.52%	21.01%	22.09%	15.83%	14.86%
MSCI Emerging Markets	-1.15%	-3.84%	-2.60%	18.22%	15.14%

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 12/13/13.

S&P Sector Performance

Index	Week	YTD	12-mo.	2012	5-yr.
Consumer Discretionary	-1.02%	37.43%	39.47%	24.14%	27.35%
Consumer Staples	-2.01%	23.13%	20.52%	11.08%	16.13%
Energy	-1.49%	19.60%	19.50%	4.64%	12.30%
Financials	-1.24%	30.58%	34.29%	28.92%	13.89%
Health Care	-2.56%	36.70%	34.98%	17.89%	18.87%
Industrials	-1.07%	33.40%	34.93%	15.42%	19.74%
Information Technology	-1.76%	22.04%	22.94%	14.82%	20.52%
Materials	-0.67%	18.90%	24.00%	15.24%	17.46%
Telecom Services	-2.43%	8.08%	6.21%	18.31%	12.57%
Utilities	-2.35%	10.66%	10.64%	1.31%	10.13%

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 12/13/13.

Bond Index Performance

Index	Week	YTD	12-mo.	2012	5-yr.
U.S. Treasury: Intermediate	-0.03%	-0.96%	-0.95%	1.71%	2.31%
GNMA 30 Year	0.09%	-2.16%	-1.96%	2.44%	4.18%
U.S. Aggregate	0.14%	-1.82%	-1.73%	4.21%	4.86%
U.S. Corporate High Yield	0.12%	7.01%	7.20%	15.81%	21.32%
U.S. Corporate Investment Grade	0.41%	-1.59%	-1.32%	9.82%	9.55%
Municipal Bond: Long Bond (22+)	0.27%	-5.87%	-6.99%	11.26%	10.16%
Global Aggregate	0.12%	-2.29%	-2.54%	4.32%	4.61%

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 12/13/13.

Key Rates

As of 12/13/13

Fed Funds	0.00-0.25%	5-yr CD	1.34%
LIBOR (1-month)	0.17%	2-yr T-Note	0.33%
CPI - Headline	1.00%	5-yr T-Note	1.53%
CPI - Core	1.70%	10-yr T-Note	2.87%
Money Market Accts.	0.43%	30-yr T-Bond	3.87%
Money Market Funds	0.01%	30-yr Mortgage	4.49%
6-mo CD	0.40%	Prime Rate	3.25%
1-yr CD	0.67%	Bond Buyer 40	5.12%

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

Market Indicators

As of 12/13/13

TED Spread	18 bps
Investment Grade Spread (A2)	166 bps
ML High Yield Master II Index Spread	412 bps

Sources: Bloomberg and Merrill Lynch via Bloomberg.

Weekly Fund Flows

Estimated Flows to Long-Term Mutual Funds for the Week Ended 12/04/13

	Current Week		Previous	
Domestic Equity	-$1.048	Billion	-$1.356	Billion
Foreign Equity	$2.985	Billion	$2.924	Billion
Taxable Bond	-$3.068	Billion	-$3.680	Billion
Municipal Bond	-$1.351	Billion	-$1.034	Billion

Change in Money Market Fund Assets for the Week Ended 12/11/13

	Current Week		Previous	
Retail	$2.17	Billion	$2.25	Billion
Institutional	$5.28	Billion	$21.92	Billion

Source: Investment Company Institute.

Factoids for the week of December 9 - 13, 2013

Monday, December 9, 2013

Lipper data shows that municipal bond mutual funds and ETFs have reported net outflows for 28 consecutive weeks through 12/4/13, according to *Barron's*. Outflows over the past two weeks totaled $875 million and $870 million, respectively, in line with the most recent four-week moving average of $855 million. Moody's just reiterated its "stable" outlook for U.S. states for 2014, according to *Barron's*. Moody's originally upgraded its outlook in August 2013, raising it from negative to stable. It cites improved revenue growth and the boosting of reserves as reasons for the upgrade. Moody's notes that reserves are now comfortably above their fiscal 2010 low.

Tuesday, December 10, 2013

Moody's reported that the global speculative-grade default rate stood at 2.7% in November, down from October's revised rate of 2.9%, according to its own release. The rate stood at 2.8% a year ago. Moody's is forecasting a default rate of 2.8% for December 2013. It sees it falling slightly to 2.7% by November 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 2.4% in November, down from 2.5% in October. The rate stood at 3.1% a year ago. The default rate on senior loans stood at 1.48% in November, down from 1.64% in October, according to Standard & Poor's LCD. Year-to-date through October, open-end high yield bond funds reported net outflows totaling $1.5 billion, according to Morningstar. Bank loan funds (senior loans) reported net inflows totaling $54.3 billion.

Wednesday, December 11, 2013

A recent Pew Research Center survey found that millennials (ages 18 to 32) care more about job security than previously thought, according to the *Los Angeles Times*. The poll revealed that 40% of millennials said job security was "extremely important" to them, compared to 38% for Gen Xers (ages 33 to 48) and 31% for baby boomers (ages 49 to 67). With respect to having a job they enjoy, millennials covet this goal the most, with 50% calling it "extremely important," compared to 44% for Gen Xers and 38% for baby boomers. All three groups ranked a high paycheck low on their priority list, with only 19% of millennials, 22% of Gen Xers and 17% of baby boomers calling it "extremely important."

Thursday, December 12, 2013

While equity REITs have not participated in the bull market this year, they have been one of the top performing groups worldwide since the bull market began on 3/9/09. Year-to-date through 12/11, the FTSE NAREIT Equity REIT Index posted a total return of 0.89%, compared to 27.51% for the S&P 500 and 24.55% for the Dow Jones U.S. Select Dividend Index. From 3/9/09-4/30/13, which encompassed the bull market leading up to when the Fed first floated the notion of an exit strategy for its monthly bond-buying initiative (helped push interest rates higher after 5/2/13), the FTSE NAREIT Equity REIT Index posted a cumulative total return of 313.98%, compared to 157.74% for the S&P 500 and 198.58% for the Dow Jones U.S. Select Dividend Index. As of 12/11/13, the FTSE NAREIT Equity REIT Index stood 25.67% below its 10-year high set on 2/7/07. As of 12/11/13, the S&P 500 and Dow Jones U.S. Select Dividend Index stood 1.45% (high set on 12/9/13) and 2.39% (high set on 11/15/13) below their respective 10-year highs. Fitch Ratings noted this week that interest rate increases that result from stronger economic growth are a positive for REITs, according to REIT.com.

Friday, December 13, 2013

An HSBC survey targeting retirees living in 15 countries found that American retirees expect to leave an average inheritance of nearly $177,000 to their heirs, the sixth highest amount of the 15 countries participating in the survey, according to CNNMoney.com. The top two countries were Australia and Singapore at $500,000 and $371,000, respectively. The average for the 15 countries was $148,000. Only 56% of the Americans polled plan to leave an inheritance, the lowest of the 15 countries. India was highest at 86%, while the average was 69%. HSBC noted that many American retirees give money away before they die.