First Trust

Weekly Market Commentary & Developments

Week Ended December 6th, 2013

US Economy and Credit Markets

Yields and Weekly Changes:

3 Mo. T-Bill:	0.06 (unch.)	GNMA (30 Yr) 6% Coupon:	111-00/32 (2.31%)
6 Mo. T-Bill:	0.09 (-01 bps)	Duration:	3.64 years
1 Yr. T-Bill:	0.12 (unch.)	30-Year Insured Revs:	139.6% of 30 Yr. T-Bond
2 Yr. T-Note:	0.30 (+02 bps)	Bond Buyer 40 Yield:	5.14 (+07 bps)
3 Yr. T-Note:	0.61 (-01 bps)	Crude Oil Futures:	97.76 (+5.04)
5 Yr. T-Note:	1.49 (+12 bps)	Gold Futures:	1,230.30 (-20.3)
10 Yr. T-Note:	2.85 (+11 bps)	Merrill Lynch High Yield Indices:	
30 Yr. T-Bond:	3.88 (+08 bps)	U.S. High Yield:	6.38% (+06 bps)
		BB:	5.09% (+10 bps)
		B:	6.39% (+04 bps)

Treasuries were mostly lower this week as a combination of better-than-expected economic data and speculation that the Federal Reserve would end its Quantitative Easing program sooner than expected decreased demand for the securities. On Monday, November ISM Manufacturing was reported at 57.3, ahead of expectations for a reading of 55.1, signaling that Friday's Non-Farm payrolls report would be strong, sending Treasury yields higher. On Tuesday, November Total Vehicle Sales of 16.3M exceeded estimates; however, as part of its Quantitative Easing program, the Federal Reserve bought $4.7B in Treasury securities throughout the day, keeping demand for the assets in place. Reports mid-week from ADP showed that in November, employers added 215k jobs, ahead of 170k estimates, while New Home housing reports were mixed. US Government debt slipped lower on Thursday amid several better than expected data points: Initial Jobless Claims were lower than expected, Q3 GDP grew at a 3.6% rate, beating economist estimates for 3.1% growth, and Factory Orders fell -.9% in October, less than expected. Still, Q3 Personal Consumption grew only1.4% QoQ. On Friday, Nov. Nonfarm Payrolls increased to 203K and the unemployment rate fell to 7% from 7.3%, causing yields to rise as the week closed. Major economic reports (and related consensus forecasts) for the next week include: Tuesday: Oct. Wholesale Inventories (.3% MoM); Wednesday: Nov. Monthly Budget Statement (-$142 B); Thursday: Nov. Advance Retail Sales (.6% MoM) and Nov. Import Price Index (-.7%); Friday: Nov. PPI (0% MoM, .8% YoY) and PPI ex Food/Energy (.1% MoM, 1.4% YoY).

US Stocks

Weekly Index Performance:

DJIA:	16,020.20	(-0.4%)
S&P 500:	1,805.09	(+0.0%)
S&P MidCap:	1,309.69	(+0.4%)
S&P Small Cap:	649.58	(-1.1%)
NASDAQ Comp:	4,062.52	(+0.1%)
Russell 2000:	1,131.38	(-1.0%)

Market Indicators:

Strong Sectors:	Utilities, Info Tech, Consumer Staples
Weak Sectors:	Telecom, Cons Disc, Financials
NYSE Advance/Decline:	1,059/ 2,133
NYSE New Highs/New Lows:	323/ 259
AAII Bulls/Bears:	42.6%/ 27.6%

After losing ground in the first four trading days of the week, the S&P 500 clawed its way back to even on Friday after a strong jobs report. Equities were little changed for the week, despite a bevy of positive data from manufacturing, construction, consumer spending, housing and employment, as better-than-expected data could lead the Federal Reserve to reduce stimulus sooner. The economic data reflects an accelerating recovery with the unemployment rate falling to a 5 year low of 7.0% and the 3rd quarter GDP rate revised higher to 3.6%. In stock news, **Bank of America Corp.** agreed to pay $404 million to **Freddie Mac** to resolve all claims outstanding for home loans sold to the government-controlled mortgage company prior to the financial crisis. **JP Morgan Chase** and **Morgan Stanley** traded lower for the week after Treasury Secretary Jacob J. Lew announced regulators plan to vote next week on increased Volker rules that would prohibit trades like the 'London Whale'. Retail shares were hit hard for the week as sales fell 2.7% year-over-year during the Thanksgiving weekend to $57.4 billion. **American Eagle Outfitters** fell 9.5% on Friday following an earnings disappointment as consumer demand was tepid, forcing the teen retailor to be highly promotional. Looking ahead, investors await the Federal Reserve minutes on December 18th to see if there is any change in language to taper the $85 billion in monthly asset purchases. We continue to believe the benefits of quantitative easing have had little effect on the overall economy and this week's strong economic data points trump any potential tapering by the Federal Reserve. Earnings growth through a stronger economy, not asset purchases, will likely drive the market higher after we move past the "taper talk".