First Trust Market Watch

Week of March 11th

Stock Index Performance

Index	Week	YTD	12-mo.	2012	5-yr.
Dow Jones Industrial Avg. (14,397)	2.23%	10.46%	14.60%	10.24%	6.87%
S&P 500 (1,551)	2.22%	9.23%	16.16%	16.00%	6.04%
NASDAQ 100 (2,804)	2.07%	5.66%	7.77%	18.35%	11.41%
S&P 500 Growth	2.09%	7.88%	13.69%	14.71%	7.66%
S&P 500 Value	2.36%	10.68%	19.19%	17.77%	4.40%
S&P MidCap 400 Growth	3.02%	10.28%	15.64%	17.62%	10.72%
S&P MidCap 400 Value	3.06%	12.03%	20.95%	19.10%	9.43%
S&P SmallCap 600 Growth	2.78%	10.81%	18.51%	15.27%	10.49%
S&P SmallCap 600 Value	2.47%	10.23%	20.56%	18.88%	9.31%
MSCI EAFE	1.84%	5.35%	12.25%	17.32%	-0.42%
MSCI World (ex US)	1.61%	3.98%	9.42%	16.83%	0.00%
MSCI World	1.99%	7.10%	13.27%	15.83%	2.52%
MSCI Emerging Markets	1.26%	1.23%	3.93%	18.22%	1.45%

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 3/8/13.

S&P Sector Performance

Index	Week	YTD	12-mo.	2012	5-yr.
Consumer Discretionary	3.20%	10.99%	22.89%	24.14%	13.85%
Consumer Staples	1.15%	10.83%	20.31%	11.08%	10.54%
Energy	1.30%	9.26%	7.46%	4.64%	3.02%
Financials	3.44%	11.34%	26.16%	28.92%	-3.41%
Health Care	1.83%	11.67%	25.68%	17.89%	9.37%
Industrials	2.27%	10.48%	16.89%	15.42%	5.11%
Information Technology	2.09%	4.28%	3.38%	14.82%	8.40%
Materials	2.79%	5.27%	10.60%	15.24%	2.65%
Telecom Services	2.02%	8.40%	25.22%	18.31%	8.60%
Utilities	1.28%	8.83%	13.17%	1.31%	4.54%

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 3/8/13.

Bond Index Performance

Index	Week	YTD	12-mo.	2012	5-yr.
U.S. Treasury: Intermediate	-0.46%	-0.38%	1.33%	1.71%	3.68%
GNMA 30 Year	-0.47%	-0.76%	1.24%	2.44%	5.69%
U.S. Aggregate	-0.65%	-0.76%	2.69%	4.21%	5.63%
U.S. Corporate High Yield	0.43%	2.31%	12.75%	15.81%	11.54%
U.S. Corporate Investment Grade	-0.89%	-0.91%	6.03%	9.82%	7.70%
Municipal Bond: Long Bond (22+)	-0.82%	0.39%	7.57%	11.26%	7.22%
Global Aggregate	-0.89%	-3.06%	-0.11%	4.32%	3.83%

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 3/8/13.

Key Rates

As of 3/8/13

Fed Funds	0.00-0.25%	5-yr CD	1.23%
LIBOR (1-month)	0.20%	2-yr T-Note	0.25%
CPI - Headline	1.60%	5-yr T-Note	0.89%
CPI - Core	1.90%	10-yr T-Note	2.04%
Money Market Accts.	0.50%	30-yr T-Bond	3.25%
Money Market Funds	0.02%	30-yr Mortgage	3.70%
6-mo CD	0.38%	Prime Rate	3.25%
1-yr CD	0.57%	Bond Buyer 40	4.12%

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

Market Indicators

As of 3/8/13

TED Spread	19 bps
Investment Grade Spread (A2)	169 bps
ML High Yield Master II Index Spread	476 bps

Sources: Bloomberg and Merrill Lynch via Bloomberg.

Weekly Fund Flows

Estimated Flows to Long-Term Mutual Funds for the Week Ended 2/27/13

	Current Week		Previous	
Domestic Equity	-$1.130	Billion	$1.092	Billion
Foreign Equity	$2.184	Billion	$3.473	Billion
Taxable Bond	$4.409	Billion	$4.118	Billion
Municipal Bond	$579	Million	$590	Million

Change in Money Market Fund Assets for the Week Ended 3/6/13

	Current Week		Previous	
Retail	$0.47	Billion	$0.06	Billion
Institutional	-$17.17	Billion	$5.72	Billion

Source: Investment Company Institute

Factoids for the week of March 4 - 8, 2013

Monday, March 4, 2013
Data compiled by Bespoke Investment Group and Bloomberg found that short sales in the S&P Composite 1500 Index fell to 5.6% of shares available for trading in February, down from a record 12.0% during the financial crisis and the lowest level in the six years they have been tracking it, according to Bloomberg. For each share speculating on losses in U.S. equities, there are 14 betting on gains (close to 5-year high), according to Markit, a London-based research firm. The bull market in U.S. equities is poised to enter its fifth year next week. Nearly $10 trillion of the losses sustained in the last bear market has been restored.

Tuesday, March 5, 2013
A new study released yesterday by the National Bureau of Economic Research suggests that the Federal Reserve's policy of keeping interest rates artificially low to encourage lending might be doing just the opposite, according to CNNMoney.com. At the end of 2012, banks had lent out just under 70% of their deposits, well below the 93% level reached prior to the financial crisis. It appears that many of the biggest banks in the U.S. have been borrowing more of their capital via long-term debt, which locks in a big chunk of their funding costs. The study found that for 12 of the 16 largest banks in the U.S. lower interest rates actually make it more expensive to lend. The four largest banks in the U.S. account for nearly 40% of all loans. The study suggests that higher short-term interest rates could be the way to boost lending at the larger banking institutions. Chairman Bernanke has stated that the Fed would likely continue buying bonds ($85 billion of Treasuries and mortgage-backed securities per month) until the unemployment rate falls to 6.5%. A recent survey by the National Association for Business Economics revealed that 44% of its members now believe the Fed's monetary policy is "too stimulative," up from 26% in September 2012, according to the *Los Angeles Times*. Two-thirds of those polled said the Fed should terminate its bond-buying program this year.

Wednesday, March 6, 2013
The Energy Information Administration (EIA) reported that U.S. natural gas consumption increased 4.4% (y-o-y) to 25.5 trillion cubic feet in 2012, according to Yahoo! Finance. That is the highest level of usage since the EIA began keeping records in 1949. The use of natural gas to generate electricity surged 20.6% to 9.1 trillion cubic feet, which was also a record high. Natural gas currently accounts for 30% of electricity production and 50% of home heating. *The Wall Street Journal* reported that a recent geological study of a key natural gas field in Texas combined with other studies indicates that U.S. natural gas production will continue to grow through 2040. Consumption is also expected to increase over that period. Over the next 10-15 years, 40% of all of the new job creation in the natural gas industry will come from Texas, according to Nathaniel Karp, chief U.S. economist at BBVA Compass, a Birmingham, Alabama-based bank holding company.

Thursday, March 7, 2013
Fund investors poured a net $41 billion into stock funds in January, but it will take a lot more to make up for the $548 billion they liquidated from stock funds between 2008 and 2012, according to *Kiplinger*. While optimism in the stock market appears to be rising, there is still evidence that some retail investors, in particular, are oblivious to what is transpiring. A survey by the Edward Jones brokerage firm in December found that nearly 50% of Americans thought the market was either down or flat in 2012. The S&P 500 ended up posting a total return of 16.0% in 2012. Even those individuals with a low tolerance for risk should still maintain some exposure to equities, according to Morningstar. Using a target date fund approach, it advocates that a conservative investor already retired should keep 25% of their assets in stocks, while an aggressive investor looking to retire around 2045 should take their exposure to equities up to 93%.

Friday, March 8, 2013
S&P Dow Jones Indices expects companies in the S&P 500 to distribute $300 billion in stock dividends in 2013, up from a record $282 billion in 2012, according to *The Wall Street Journal*. U.S. companies announced in February their intent to buy back $117.8 billion of their own stock, the highest monthly total dating back to 1985, according to Birinyi Associates. The number of companies authorizing buybacks rose from 68 in January to 130 in February. U.S. companies are still holding a lot of cash. Excluding financial firms, U.S. companies were sitting on $1.79 trillion at the end of Q4'12, up from $1.77 trillion in Q3'12, according to the Federal Reserve.