First Trust

Weekly Market Commentary & Developments

Week Ended March1st, 2013

US Economy and Credit Markets

Yields and Weekly Changes:

3 Mo. T-Bill:	0.10 (-02 bps)	GNMA (30 Yr) 6% Coupon:	113-02/32 (1.25%)
6 Mo. T-Bill:	0.12 (-01 bps)	Duration:	3.70 years
1 Yr. T-Bill:	0.14 (-01 bps)	30-Year Insured Revs:	142.6% of 30 Yr. T-Bond
2 Yr. T-Note:	0.24 (-01 bps)	Bond Buyer 40 Yield:	4.03 (-03 bps)
3 Yr. T-Note:	0.33 (-05 bps)	Crude Oil Futures:	90.68 (-2.45)
5 Yr. T-Note:	0.74 (-09 bps)	Gold Futures:	1572.30 (-.10)
10 Yr. T-Note:	1.84 (-12 bps)	Merrill Lynch High Yield Indices:	
30 Yr. T-Bond:	3.05 (-10 bps)	U.S. High Yield:	6.56% (+01 bps)
		BB:	4.99% (-03 bps)
		B:	6.67% (-03 bps)

Treasury yields were lower this week as negative headlines from Europe and the threat of $85 billion in automatic federal spending cuts, scheduled to being on March 1, weighed on investor sentiment. Yields slumped on Monday when polls in Italy indicated that a four way race would end with a divided parliament, causing turmoil in European markets. On Tuesday, the S&P Case Shiller Home Price Index was reported to have risen 6.8% YoY in the 4th quarter while January New Home Sales rose 15.6% to 437k, beating expectations for 380k in sales by a wide margin. Longer dated treasuries were lower on Wednesday as positive earnings news helped stoke a strong rally in U.S. equities. Also on Wednesday, January Pending Home Sales reported a 4.5% rise while Durable Goods Orders fell -5.2% for the month. Treasuries were up slightly on Thursday ahead of $85B in automatic spending cuts set to begin the next day as reports showed Q4 Personal Consumption increased 2.1% and GDP grew 0.1% in during the quarter vs. expectations of .5% growth. The 10 year note closed out the month with a gain, marking its first monthly gain since November. On Friday, Treasuries rose for a second day as spending cuts weighed on market sentiment, January Personal Income declined -3.6%, and February ISM Manufacturing rose to 54.2. Major economic reports (and related consensus forecasts) for next week include: Tuesday: ISM Non-Manf. Composite (55.0); Wednesday: February ADP Employment Change and January Factory Orders (2.2%); Thursday: January Trade Balance (-$43.0B), Q4 Final Nonfarm Productivity (-1.6%), and January Consumer credit ($15B); Friday: February Change in Nonfarm and Private Payrolls (160k and 167k, respectively), February Unemployment Rate (7.9%), and January Wholesale Inventories (.3%)

US Stocks

Weekly Index Total Return:		Market Indicators:	
DJIA:	14089.66 (+89.09, +0.6%)	Strong Sectors:	Telecom, Cons Disc, Health Care
S&P 500:	1518.2 (+2.6, +0.2%)	Weak Sectors:	Financials, Info Tech, Energy
S&P MidCap:	1098.15 (-5.55, -0.5%)		
S&P Small Cap:	512.40 (-0.13, 0.0%)	NYSE Advance/Decline:	1,667/ 1,492
NASDAQ Comp:	3169.74 (+7.93, +0.3%)	NYSE New Highs/New Lows:	447/ 110
Russell 2000:	914.73 (-1.43, -0.2%)	AAII Bulls/Bears:	28.4%/ 36.6%

Equities posted modest gains for the week as the Dow Jones Industrial Average posted a five-year high and on Thursday came within 15 points of setting an all-time high. Markets gained despite the sequester deadline passing, which could result in $85 billion of spending cuts this year. The housing market continues to improve as the S&P/Chase-Shiller index of house prices in 20 cities posted the largest year-over-year improvement since before the housing bubble with a 6.8% increase. Turning to earnings, **Home Depot Inc.** gained after beating earnings expectations as well as increasing its capital returned to shareholders through a dividend increase and a $17 billion share buyback. **Lowe's Companies, Inc.**, the second largest U.S. home-improvement retailer**,** did not fare as well after reporting weak guidance due to an inventory overhang as they try to revamp their retail strategy. **Priceline.com Inc.** reported a better-than-expected 4th quarter, with earnings growth of 26% due to strength from international markets. **Groupon, Inc.** fired CEO and co-founder Andrew Mason after announcing another disappointing quarter. Shares of **Deckers Outdoor Corp.**, maker of UGG boots, jumped after beating expectations and inventory levels improved. Looking ahead, investors will keep a close eye on upcoming economic releases with the sequester now in effect and higher payroll taxes for all Americans. However, low expectations, an accommodative Fed, reasonable valuations and continued strength in payroll, housing and business sentiment leave additional room for the market to reach all-time highs.