First Trust

Weekly Market Commentary

Week Ended October 23, 2015

US Economy and Credit Markets

Yields and Weekly Changes:

3 Mo. T-Bill:	0.00 (unch.)	GNMA (30 Yr) 6% Coupon:	113-07/32 (1.74%)
6 Mo. T-Bill:	0.13 (+06 bps)	Duration:	3.84 years
1 Yr. T-Bill:	0.24 (+03 bps)	Bond Buyer 40 Yield:	4.35 (+0.01)
2 Yr. T-Note:	0.64 (+03 bps)	Crude Oil Futures:	44.63 (-2.63)
3 Yr. T-Note:	0.95 (+04 bps)	Gold Futures:	1163.30 (-20.30)
5 Yr. T-Note:	1.42 (+06 bps)	Merrill Lynch High Yield Indices:	
10 Yr. T-Note:	1.80 (+08 bps)	U.S. High Yield:	7.69% (-12 bps)
30 Yr. T-Bond:	2.90 (+02 bps)	BB:	5.61% (-19 bps)
		B:	7.91% (-08 bps)

Much attention will be devoted to the U.S. Federal Reserve's monthly meeting this week but last Thursday the European Central Bank made news when Chief Mario Draghi said that "monetary policy accommodation will need to be re-examined at our December policy meeting." More quantitative easing has had the effect of driving up bond prices; but reducing yields available to savers. Then Friday, China announced new monetary stimulus. These events had the effect of strengthening equity markets but decreasing demand for bonds. As such, yields were up last week. U.S. equity markets have been rallying since the start of October as expectations of US policy tightening have come down. Last week's Tuesday Housing Starts report registered a 6.5% increase in September beating consensus expectations and increasing 17.5% vs. the prior year. Multi-family starts, more volatile month-to-month than single family starts, accounted for nearly all the gain as single family starts increased only .3%. Thursday's Existing Home Sales also beat expectations by registering a 4.7% increase in September. This is up 8.8% from a year ago. The average sales price was down from August, but up 3.9% vs. prior year. This week stands to be a busy week of economic news as many key indicators are reported and the Federal Reserve meets as well. Major economic reports (and related consensus forecasts) for the upcoming week include: Monday: September New Home Sales (550K); Tuesday: September Durable Goods Orders (-1.3%, +.7%) and the October Consumer Confidence Index (102.8, -.2); Wednesday: The Federal Reserve Rate decision (0-.25%, unch.); Thursday: Prior Week Initial Jobless Claims (263K, +4K) and QoQ Annualized GDP (1.6%, -2.3%); Friday: September Personal Income and Spending (.2% each) and Final October University of Michigan Consumer Sentiment (92.5, -.4).

US Equities

Weekly Index Performance:		Market Indicators:	
DJIA:	17,646.70 (2.56%)	Strong Sectors:	Information Technology, Industrials, Financials
S&P 500:	2,075.15 (2.09%)		
S&P Midcap:	1,439.84 (0.40%)	Weak Sectors:	Energy, Health Care, Utilities
S&P Smallcap:	690.75 (0.72%)		
NASDAQ Comp:	5,031.86 (2.97%)	NYSE Advance/Decline:	1,933 / 1,299
Russell 2000:	1,166.06 (0.33%)	NYSE New Highs/New Lows:	228 / 136
		AAII Bulls/Bears:	34.8% / 24.0%

The S&P 500 Index closed in positive territory for the fourth straight week with a return of 2.09%. Stocks have rallied in the month of October with the index returning 8.19%. This follows the two previous month's declines of -6.03% in August and -2.47% in September. Stocks fell quickly after the open on Monday, but bounced back to close flat for the day increasing only 3 basis points on very little news. Positive data from the National Association of Home Builders Market Index came in above expectations and showed the highest level since October 2005. Tuesday brought higher than expected housing start data but also mixed third quarter earnings news keeping the index near the previous day's close, declining 14 basis points. The energy, materials, and health care sectors led the decline on Wednesday as the index returned -0.57%. Industrials was the only sector to show positive for the day. European markets pushed higher on Thursday after the European Central Bank (ECB) kept rates unchanged and Mario Draghi, the ECB president, stated they were ready to act if needed and open to more monetary policy action. US stocks opened up and continued to climb following the European markets trend for the day as the index returned 1.67%. Positive economic data showed lower than expected US initial jobless claims of 259K. Claims were lower than the consensus estimate of 265K, but higher than the previous week's 255K. US stocks climbed further Friday returning 1.10% on news that the People's Bank of China cut interest rates. Seven of the ten economic sectors had positive performance for the week. The information technology sector was the best performing sector with a 4.61% return. The industrials and financials sectors followed with 3.87% and 2.51% returns, respectively. The energy sector's -0.99% return was the worst performance of all the sectors and was followed by health care and utilities which returned -0.69% and -0.47%, respectively. **KLA-Tencor Corp.**, a manufacturer in the semiconductor industry, turned in the best performance in the S&P 500 Index with a 23.37% gain. The stock jumped 18.79% Wednesday on the announcement of **Lam Research Corp**. acquiring the company. The next two best performers were **eBay Inc.** and **Texas Instruments Inc.** with returns of 14.70% and 12.19%, respectively.