First Trust

Market Watch

Week of March 2nd

Stock Index Performance

Index	Week	YTD	12-mo.	2014	5-yr.
Dow Jones Industrial Avg. (18,133)	0.02%	2.22%	13.70%	10.04%	14.82%
S&P 500 (2,105)	-0.24%	2.57%	15.50%	13.68%	16.16%
NASDAQ 100 (4,441)	-0.05%	5.07%	21.62%	19.49%	21.00%
S&P 500 Growth	-0.11%	4.21%	17.22%	14.89%	17.43%
S&P 500 Value	-0.38%	0.81%	13.61%	12.35%	14.86%
S&P MidCap 400 Growth	-0.55%	5.06%	10.14%	7.57%	17.50%
S&P MidCap 400 Value	-0.73%	2.70%	12.02%	12.04%	16.46%
S&P SmallCap 600 Growth	-0.06%	4.26%	8.28%	3.85%	18.68%
S&P SmallCap 600 Value	0.53%	0.34%	7.01%	7.54%	16.56%
MSCI EAFE	1.09%	6.50%	-0.03%	-4.90%	7.77%
MSCI World (ex US)	0.97%	5.19%	0.87%	-3.87%	6.55%
MSCI World	0.30%	3.94%	7.87%	4.94%	11.67%
MSCI Emerging Markets	0.61%	3.71%	5.01%	-2.19%	3.63%

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 2/27/15.

S&P Sector Performance

Index	Week	YTD	12-mo.	2014	5-yr.
Consumer Discretionary	0.69%	5.29%	15.52%	9.68%	22.02%
Consumer Staples	0.86%	3.10%	21.69%	15.98%	16.38%
Energy	-1.96%	-0.95%	-7.23%	-7.79%	9.02%
Financials	-0.48%	-1.45%	14.18%	15.18%	12.53%
Health Care	0.10%	5.60%	23.51%	25.34%	20.48%
Industrials	-0.96%	1.79%	12.59%	9.80%	17.05%
Information Technology	-0.20%	4.01%	22.48%	20.12%	16.83%
Materials	-0.91%	6.00%	11.08%	6.91%	13.58%
Telecom Services	0.96%	5.40%	13.25%	2.99%	14.81%
Utilities	-1.05%	-4.18%	16.05%	28.98%	13.79%

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 2/27/15.

Bond Index Performance

Index	Week	YTD	12-mo.	2014	5-yr.
U.S. Treasury: Intermediate	0.40%	0.73%	2.25%	2.57%	2.70%
GNMA 30 Year	0.40%	0.34%	4.11%	6.03%	3.84%
U.S. Aggregate	0.65%	1.14%	5.05%	5.97%	4.29%
U.S. Corporate High Yield	0.79%	3.09%	2.80%	2.45%	9.38%
U.S. Corporate Investment Grade	0.94%	1.99%	6.54%	7.46%	6.49%
Municipal Bond: Long Bond (22+)	0.15%	1.07%	11.14%	15.39%	6.89%
Global Aggregate	0.12%	-0.97%	-2.79%	0.59%	2.35%

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 2/27/15.

Key Rates

As of 2/27/15

Fed Funds	0.00-0.25%	5-yr CD	1.50%
LIBOR (1-month)	0.17%	2-yr T-Note	0.62%
CPI - Headline	-0.10%	5-yr T-Note	1.50%
CPI - Core	1.60%	10-yr T-Note	1.99%
Money Market Accts.	0.44%	30-yr T-Bond	2.59%
Money Market Funds	0.02%	30-yr Mortgage	3.99%
6-mo CD	0.40%	Prime Rate	3.25%
1-yr CD	0.71%	Bond Buyer 40	4.26%

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

Market Indicators

As of 2/27/15

TED Spread	25 bps
Investment Grade Spread (A2)	146 bps
ML High Yield Master II Index Spread	446 bps

Sources: Bloomberg and Merrill Lynch via Bloomberg.

Weekly Fund Flows

Estimated Flows to Long-Term Mutual Funds for the Week Ended 2/18/15

	Current Week		Previous	
Domestic Equity	$141	Million	-$27	Million
Foreign Equity	$1.651	Billion	$1.296	Billion
Taxable Bond	$4.136	Billion	$5.169	Billion
Municipal Bond	$274	Million	$693	Million

Change in Money Market Fund Assets for the Week Ended 2/25/15

	Current Week		Previous	
Retail	-$4.05	Billion	$1.67	Billion
Institutional	$14.33	Billion	-$10.69	Billion

Source: Investment Company Institute.

Factoids for the week of February 23 - 27, 2015

Monday, February 23, 2015

Investors are funneling billions of dollars into European equities on the belief that economic growth and corporate earnings are poised to rebound, according to Reuters. European equity funds just reported their largest weekly inflows on record, taking in $5.8 billion last week, according to EPFR. In February, investors raised their exposure to Eurozone equities to a level not seen since May 2007, according to a Bank of America Merrill Lynch fund manager survey. Half of those managers surveyed said the region was their top pick for equities looking out over the next 12 months, up from just 18% in January.

Tuesday, February 24, 2015

Howard Silverblatt, senior index analyst at S&P Dow Jones Indices, reported that February is on track to be a record setting month for stock dividends, according to Yahoo Finance. Companies have already distributed over $45 billion in cash dividends this month and that number is expected to grow. February through March is historically the busiest time of the year for dividend increases. Silverblatt notes that financial companies continue to recover and are currently running second to technology companies in terms of S&P 500 dividend payouts. Technology companies currently account for 15% of dividend payouts, compared to 14.7% for financial companies. At the close of 2006, prior to the financial crisis, financial companies accounted for 29.5%.

Wednesday, February 25, 2015

On 1/8/15, Barclays released its "Original E&P Spending Survey" (conducted semiannually) calling for worldwide E&P expenditures to decrease by 8.8% in 2015. On 2/24/15, it released an interim update that revised exploration and production spending lower based on feedback from nearly half of the companies that participate in its survey. Due to the plunge in the price of crude oil, E&P spending worldwide is now expected to decline by 23% in 2015. North American spending is expected to fall by 30%, well above January's target of -14.1%.

Thursday, February 26, 2015

The S&P 500 has bounced back strong in February, after posting a total return of -3.00% in January, according to Bloomberg. As of 2/24/15, the index was up 3.07% for the year, on a total return basis. Eight of the 10 major sectors that comprise the index were up. Over the same period a year ago (12/31/13-2/24/14), the index was up 0.28%, on a total return basis, and only three sectors were in positive territory. Stocks are up big in February despite a 34 basis point spike (1.64% on 1/30/15 to 1.98% on 2/24/15) in the yield on the benchmark 10-Year Treasury note. Utilities, which were the best performing sector for all of 2014, are the worst performing sector so far in 2015.

Friday, February 27, 2015

U.S. commercial banks were holding $2.83 trillion in cash on 2/11/15, up from $2.57 trillion on 12/31/14, according to Bloomberg. Banks have increased their stakes in Treasuries and debt issued by federal agencies in each of the past 16 months, the longest stretch since 2003, according to Bloomberg. They hold a combined $2.1 trillion. Federal Reserve data indicates that is the most since 1973, according to Bloomberg. Banks are able to earn over 100 basis points more on five-year Treasuries than the 0.25% rate they would receive parking cash at the Fed.