First Trust

Market Watch

Week of May 18th

Stock Index Performance

Index	Week	YTD	12-mo.	2014	5-yr.
Dow Jones Industrial Avg. (18,273)	0.56%	3.48%	13.70%	10.04%	14.34%
S&P 500 (2,123)	0.38%	3.89%	15.76%	13.68%	15.72%
NASDAQ 100 (4,494)	0.82%	6.57%	27.49%	19.49%	20.18%
S&P 500 Growth	0.62%	5.37%	19.47%	14.89%	17.11%
S&P 500 Value	0.12%	2.29%	11.83%	12.35%	14.32%
S&P MidCap 400 Growth	0.87%	7.62%	17.71%	7.57%	16.29%
S&P MidCap 400 Value	0.86%	4.09%	12.96%	12.04%	15.30%
S&P SmallCap 600 Growth	0.82%	5.83%	17.56%	3.85%	16.60%
S&P SmallCap 600 Value	0.58%	0.83%	11.00%	7.54%	14.07%
MSCI EAFE	1.44%	11.32%	3.20%	-4.90%	9.68%
MSCI World (ex US)	1.24%	10.15%	2.88%	-3.87%	7.93%
MSCI World	0.79%	6.61%	9.46%	4.94%	12.29%
MSCI Emerging Markets	0.85%	9.71%	3.82%	-2.19%	4.16%

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 5/15/15.

S&P Sector Performance

Index	Week	YTD	12-mo.	2014	5-yr.
Consumer Discretionary	-0.05%	6.50%	22.88%	9.68%	20.32%
Consumer Staples	1.18%	3.11%	16.14%	15.98%	16.02%
Energy	-1.27%	1.44%	-11.62%	-7.79%	9.36%
Financials	-0.20%	0.40%	15.80%	15.18%	11.89%
Health Care	1.10%	8.85%	30.08%	25.34%	22.30%
Industrials	0.84%	1.63%	9.88%	9.80%	15.11%
Information Technology	0.76%	5.15%	23.79%	20.12%	16.23%
Materials	-0.21%	6.38%	9.53%	6.91%	13.46%
Telecom Services	0.23%	5.89%	4.03%	2.99%	14.05%
Utilities	0.57%	-5.37%	9.32%	28.98%	12.68%

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 5/15/15.

Bond Index Performance

Index	Week	YTD	12-mo.	2014	5-yr.
U.S. Treasury: Intermediate	0.13%	1.12%	2.15%	2.57%	2.57%
GNMA 30 Year	-0.13%	0.78%	3.22%	6.03%	3.52%
U.S. Aggregate	0.04%	0.86%	3.18%	5.97%	3.88%
U.S. Corporate High Yield	0.04%	3.91%	2.17%	2.45%	8.78%
U.S. Corporate Investment Grade	0.09%	0.91%	2.97%	7.46%	5.79%
Municipal Bond: Long Bond (22+)	-0.45%	-0.15%	5.11%	15.39%	6.06%
Global Aggregate	0.67%	-0.74%	-4.14%	0.59%	2.83%

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 5/15/15.

Key Rates

As of 5/15/15

Fed Funds	0.00-0.25%	5-yr CD	1.43%
LIBOR (1-month)	0.18%	2-yr T-Note	0.58%
CPI - Headline	-0.10%	5-yr T-Note	1.46%
CPI - Core	1.80%	10-yr T-Note	2.14%
Money Market Accts.	0.47%	30-yr T-Bond	2.93%
Money Market Funds	0.02%	30-yr Mortgage	3.92%
6-mo CD	0.36%	Prime Rate	3.25%
1-yr CD	0.61%	Bond Buyer 40	4.43%

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

Market Indicators

As of 5/15/15

TED Spread	26 bps
Investment Grade Spread (A2)	149 bps
ML High Yield Master II Index Spread	455 bps

Sources: Bloomberg and Merrill Lynch via Bloomberg.

Weekly Fund Flows

Estimated Flows to Long-Term Mutual Funds for the Week Ended 5/6/15

	Current Week		Previous	
Domestic Equity	-$2.248	Billion	-$7.268	Billion
Foreign Equity	$2.804	Billion	$4.094	Billion
Taxable Bond	$2.427	Billion	$2.091	Billion
Municipal Bond	-$36	Million	$1.042	Billion

Change in Money Market Fund Assets for the Week Ended 5/13/15

	Current Week		Previous	
Retail	-$1.12	Billion	$1.60	Billion
Institutional	-$0.32	Billion	$6.99	Billion

Source: Investment Company Institute.

Factoids for the week of May 11-15, 2015

Monday, May 11, 2015
Birinyi Associates Inc. reported that U.S. companies announced $141 billion of new stock buyback programs in April, up 121% from the amount announced in April 2014, and the highest monthly total ever recorded, according to *The Wall Street Journal*. Birinyi notes that buyback announcements are on pace to reach $1.2 trillion in 2015. The all-time high was set in 2007, at $863 billion. Companies that initiate buyback programs are not obligated to max them out. In 2014, companies repurchased $677.5 billion worth of stock, or 81% of their authorized amount.

Tuesday, May 12, 2015
The top 25 hedge fund managers, by compensation, took home $11.62 billion in 2014, and 12 of them posted gains in the single digits, according ThinkAdvisor.com. The S&P 500 posted a total return of 13.69% in 2014. The average pay for the top 25 managers was $467 million, down from $846 million in 2013. Hedge funds, on average, underperformed the broader stock market in each of the past six years. A composite index of 2,200 hedge fund portfolios collected by HFR, which tracks the industry, gained just 3% in 2014.

Wednesday, May 13, 2015
Moody's reported that the global speculative-grade default rate stood at 2.2% in April, down from 2.3% in March, according to its own release. Moody's is forecasting a default rate of 2.6% for December 2015. The historical average for the default rate on global speculative-grade debt has been 4.5% since 1983. The U.S. speculative-grade default rate stood at 1.7% in April, down from 2.0% in March (revised up from 1.9%). The default rate on senior loans stood at 0.72% in April, up from 0.61% in March, but below the historical average of 2.87%, according to Standard & Poor's LCD.

Thursday, May 14, 2015
From 12/31/13-3/31/15, the FTSE NAREIT All Equity REITs Index posted a total return of 33.12%, well above the 14.77% gain posted by the S&P 500. Equity REITs, however, are down 5.61% since the end of March (as of 5/13). Jeffrey Langbaum, senior REIT analyst at Bloomberg, cited the release of some negative economic indicators in April, including a weak GDP number for Q1'15, as the cause of the recent pullback in REIT prices, according to REIT.com. Michael Hudgins, managing director and global strategist with Ell Capital Management, notes that demand for real estate bears strong correlations with GDP growth and employment rates, according to REIT.com. Hudgins also notes that cash flows tend to rise late in the cycle. He sees a strong second half of the year for REITs.

Friday, May 15, 2015
Edition of Dalbar's *Quantitative Analysis of Investor Behavior* reveals that equity fund investors, on average, have consistently earned returns significantly below those posted by the S&P 500, according to its own release. The following total returns were cited and were as of the close of 2014 (Equity Fund Investors vs. S&P 500): 1-Yr. (5.50% vs. 13.69%); 3-Yr. Avg. Annual (14.82% vs. 20.41%); 5-Yr. Avg. Annual (10.19% vs. 15.45%); 10-Yr. Avg. Annual (5.26% vs. 7.67%); 20-Yr. Avg. Annual (5.19% vs. 9.85%) and 30-Yr. Avg. Annual (3.79% vs. 11.06%). Dalbar notes that underperformance tends to stem from bad investor decisions at critical points, such as during severe market declines and when the market surges.