First Trust

Weekly Market Commentary

Week Ended May 22nd, 2015

US Economy and Credit Markets

3 Mo. T-Bill:	0.01 (unch.)	GNMA (30 Yr) 6% Coupon:	114-08/32 (1.32%)
6 Mo. T-Bill:	0.08 (unch.)	Duration:	3.78 years
1 Yr. T-Bill:	0.21 (+01bps)	Bond Buyer 40 Yield:	4.45 (+02 bps)
2 Yr. T-Note:	0.62 (+08 bps)	Crude Oil Futures:	59.72 (+0.03)
3 Yr. T-Note:	1.00 (+10 bps)	Gold Futures:	1204.00 (-21.30)
5 Yr. T-Note:	1.56 (+10 bps)	Merrill Lynch High Yield Indices:	
10 Yr. T-Note:	2.21 (+07 bps)	U.S. High Yield:	6.44% (+02 bps)
30 Yr. T-Bond:	2.99 (+07 bps)	BB:	4.91% (+01 bps)
		B:	6.70% (+02 bps)

Over the last month, yields have been rising as the markets continue to anticipate that the Federal Reserve will raise interest rates during 2015. Janet Yellen spoke on Friday and confirmed the Federal Reserve's commitment to raising interest rates this year. Yields rose this week as Friday's CPI inflation report came in higher than expected. Euro-area bonds have continued their sell-off since the 10-Year German government bond fell to a historic low of .07% on April 20th. Since then, it has gone up over 65 basis points as the bonds have rapidly sold-off. This seems to be largely driven by an unwinding of QE trades and as a result the dollar has strengthened. Oil has rebounded from its lows and climbed slightly during the week on the back of US currency appreciation. Though last week saw small Crude Oil supply declines, supplies remain high as Saudi Arabia remains committed to maintaining its market share. Most of the rebound from Crude Oil's March pricing lows has been driven by the expectation of reduced CAPEX by high cost E&P firms and a corresponding fall in rig counts which will reduce supply. As mentioned above, Friday had the latest CPI information released and it registered a .1% increase in April, but was down .2% vs. last year. Energy prices fell 1.3% in April, have fallen 19.4% from last year and are the leading contributor to the low CPI numbers. Real average hourly earnings did not change in April but are up 2.3% vs. last year. Major economic reports (and related consensus forecasts) for the upcoming Memorial Day shortened week include: Tuesday: April Durable Goods Orders (-.5%), April New Home Sales (+5.1%), May Consumer Confidence Index (95.0); Wednesday: Prior Week MBA Mortgage Applications; Thursday: Prior Week Initial Jobless Claims (270K); Friday: GDP Annualized QoQ (-.9%), University of Michigan Final May Consumer Sentiment (90).

US Equities

Weekly Index Performance:			Market Indicators:	
DJIA:	18,232.02	(-0.15%)	Strong Sectors:	Info Tech, Health Care, Utilities
S&P 500:	2,126.06	(+0.21%)		
S&P Midcap:	1,541.56	(+0.70%)	Weak Sectors:	Cons Staples, Materials, Energy
S&P Smallcap:	718.16	(+0.45%)		
NASDAQ Comp:	5,089.36	(+0.86%)	NYSE Advance/Decline:	1,496/ 1,731
Russell 2000:	1,252.22	(+0.69%)	NYSE New Highs/New Lows:	265/110
			AAII Bulls/Bears:	25.2% / 25.0%

Equity markets were little changed for the week, with the S&P 500 rising 0.21%, as Federal Reserve Chair Janet Yellen said she still expects to raise rates this year if the economy continues to strengthen. However, the pace of increases will be gradual. Economic data remained mixed as manufacturing PMI growth slowed for the second straight month. In April, U.S. housing starts rose to a seven year high, but existing home sales fell by 3.3%. A number of retailers announced earnings results with **Wal-Mart Stores Inc.** missing expectations amid weaker U.S. sales growth and foreign exchange headwinds. However, **Target Corp.** beat expectations as new CEO Brian Cornell refocuses the brand after a number of missteps. The Minneapolis based retailer is concentrating on improving U.S. stores after announcing the closure of all Canadian stores in January and gaining back their former cachet of "Tar-zhay" through exclusive merchandise like the recently offered Lilly Pulitzer collection. **Home Depot Inc**. reported earnings and comparable sales above street estimates, while **Lowe's Cos.** trailed estimates as **Home Depot Inc.** won a highly promotional spring against its chief competitor. In merger news, **Ann Inc.** gained over 20% for the week after **Ascena Retail Group Inc.** agreed to buy the retailer for around $2.2 billion. Looking ahead to next week, durable goods orders and the second reading of first quarter GDP will be key economic data points. With the first quarter earnings season nearly in the books, the S&P 500 earnings maintained a positive growth rate, despite expectations for a 5% fall going into earnings season. Equity markets remain attractive versus other assets classes, especially bonds, if earnings can continue to plow higher.