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## TALKING POINTS

A Recap of February 2014

### The Economy

Nonfarm payrolls grew by 175,000 in February, despite another month of punishing weather. We would like to see nonfarm payrolls accelerate to at least the 250,000 per month mark, which is the number cited by economists for being sufficient enough to make a dent in the unemployment rate. We have touched that level before. Payrolls averaged 255,000 as recently as Oct.-Nov. of 2013. The Federal Reserve reported that U.S. household net worth reached an all-time high of \$80.66 trillion at the close of 2013, according to Reuters. Net worth rose 14% in the full year, fueled by a \$5.6 trillion rise in the value of stock shares and a \$2.3 trillion increase in the value of real estate. U.S. businesses held \$1.98 trillion in liquid assets in Q4'13, up from \$1.91 trillion in Q3'13.

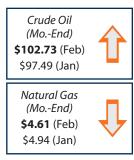




**Indices** (Source: Bloomberg)

S&P 500

DJIA





The Stock Market

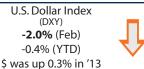


Y-T-D, the payers were up 1.26%, vs. a gain of 7.99% for the non-payers. For the 12-mo. period ended

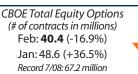


#### One hundred and twenty-four out of the 133 subsectors (93%) that comprise the S&P 500 posted a <u>Feb</u> <u>12-mo.</u> gain in February, up from 33 (25%) last month, according to S&P Dow Jones Indices. Materials was the best performing sector, up 6.91%. In Feb., the dividend-payers (420) in the S&P 500 (equal weight) posted a total return of 4.95%, vs. 7.56% for the non-payers (80), according to S&P Dow Jones Indices.

NASDAQ 100 5.2% S&P 400 4.9% Russell 2000 4.7% Russell 3000 4.7% MSCI World (ex U.S.) (USD) 5.5% MSCI Emerging Markets (USD) 3.3% **Growth/Value** (Source: Bloomberg) Feb S&P 500 Growth 5.2% S&P 500 Value 3.8% S&P 400 Growth 5.3% S&P 400 Value 4.4% Russell 2000 Growth 4.8% Russell 2000 Value











VIX Volatility Index (S&P 500) 14.00 (2/28) 18.41 (1/31) Record 11/20/08: 80.86



## The Bond Market

Yield The yield on the benchmark 10-Year T-Note stood at 2.65% in February, no change from the end <u>Feb</u> 12-mo. **Index (Source: Barclays)** 0.20% -0.31% 1.02% of January, but up 77 basis points from a year ago. The most recent mutual fund cash flow data U.S. Treasury: Intermediate 0.31% GNMA 30 Year 0.35% 3.11% (week ended 3/5/14) from Lipper showed that investors were favoring riskier assets, according Municipal Bond (22+) 1.79% -2.48% 4.26% to Reuters. High yield corporate bond and emerging market bond funds posted total returns U.S. Aggregate 0.53% 0.15% 2.28% above 2.00% in Feb. Lipper noted that funds that primarily invest in U.S. Treasuries experienced Intermediate Corporate 0.67% 1.61% 2.29% \$7.0 billion in net outflows, the biggest weekly liquidation since Lipper began keeping records U.S. Corporate High Yield 2.02% 8.38% 5.14% in 1992. Some investors appear to be interpreting the Fed's continued cuts to its monthly bond Global Aggregate 1.40% 1.69% 1.91% buying stimulus program as a sign the U.S. economy is strengthening, according to Lipper. As a EM Hard Currency Agg. 2.57% 0.23% 4.80% result, it believes that some investors are prepping for the potential for higher inflation.

Key Rates as of February 28 0-0.25% Fed Funds 2-Yr.T-Note 0.32% 10-Yr. T-Note 2.65% 30-Yr. Mortgage 4.31% Bond Buyer 40 4.80% (Source: Bloomberg)

Key Yield Spread The spread between the Merrill Lynch U.S. High Yield Constrained Index and the 10-Yr. T-Note was 346 basis points on 2/28/14, down from 373 on 1/31/14. It was 467 on 2/28/13.

(Source: Bloomberg)

2014 Debt Issuance Through January (Source: Thomson Reuters)									
Debt Category Treasury Corporate Convertible Asset-Backed Municipal	\$ Amount \$190.0 Billion \$127.5 Billion \$600.0 Million \$13.8 Billion \$18.9 Billion	% change over '13 +5.6% -15.4% -53.6% +1.1% -30.1%							

Equity funds reported net inflows totaling \$24.0 billion in 1/14, vs. \$167 million (revised up) of net outflows in 12/13, according to the Investment Company Institute. Bond funds reported net outflows totaling \$1.2 billion, vs. \$25.1 billion of net outflows in 12/13. Money Market fund net outflows totaled \$9.8 billion, vs. \$44.1 billion of net inflows in 12/13. In 2013, equity funds reported net inflows totaling \$161.0 billion, vs. \$83.4 billion of net outflows for bond funds (municipals had net outflows totaling \$58.4B) and \$15.1 billion of net inflows for MMFs.



# High/Low Snapshot

Data as of 2/28/14

Index	10-Yr. High Value	Date	10-Yr. Low Value	Date	Month-End Value	% Off High Value	YTD Return (USD)	Month-End Yield
S&P 500	1859.45	02/28/14	676.53	03/09/09	1859.45	0.00%	0.96%	1.94%
S&P 500 Growth	1010.95	02/28/14	363.99	03/09/09	1010.95	0.00%	2.14%	1.55%
S&P 500 Value	846.60	12/31/13	307.16	03/09/09	840.17	-0.76%	-0.31%	2.38%
S&P 400	1375.33	02/28/14	404.62	03/09/09	1375.33	0.00%	2.66%	1.40%
S&P 400 Growth	623.96	02/28/14	174.44	11/20/08	623.96	0.00%	2.61%	0.95%
S&P 400 Value	476.49	02/28/14	144.98	03/09/09	476.49	0.00%	2.71%	1.88%
S&P 100	823.81	12/31/13	322.13	03/09/09	818.24	-0.68%	-0.25%	2.15%
DJIA	16576.66	12/31/13	6547.05	03/09/09	16321.71	-1.54%	-1.07%	2.17%
NASDAQ 100	3699.80	02/27/14	1036.51	11/20/08	3696.10	-0.10%	3.16%	1.33%
Russell 2000	1187.94	02/27/14	343.26	03/09/09	1183.03	-0.41%	1.81%	1.29%
Russell 2000 Growth	715.23	02/27/14	190.73	03/09/09	708.40	-0.96%	3.02%	0.67%
Russell 2000 Value	1499.11	01/22/14	469.32	03/09/09	1496.12	-0.20%	0.53%	1.96%
Russell 3000	1120.66	02/28/14	389.61	03/09/09	1120.66	0.00%	1.43%	1.82%
MSCI World x U.S. (USD)	5379.90	10/31/07	2131.84	03/09/09	5218.83	-2.99%	1.20%	3.11%
MSCI Emerging Markets (USD)	473.36	10/29/07	128.72	05/17/04	396.56	-16.22%	-3.40%	2.75%
Bovespa/Brazil (USD)	44638.24	05/19/08	5634.22	05/10/04	20188.79	-54.77%	-8.20%	4.50%
RTS/Russia (USD)	2487.92	05/19/08	498.20	01/23/09	1267.27	-49.06%	-12.16%	3.96%
Bombay SE 500/India (USD)	226.04	01/07/08	39.16	05/17/04	124.84	-44.77%	-1.20%	1.72%
Shanghai Composite/China (USD)	810.24	10/16/07	122.21	07/11/05	334.62	-58.70%	-4.25%	3.03%
KOSPI/South Korea (USD)	2.29	10/31/07	0.62	05/17/04	1.85	-19.10%	-2.67%	1.05%
Hang Seng (USD)	4082.25	10/30/07	1406.13	05/17/04	2942.83	-27.91%	-2.04%	3.42%
MSCI Euro (USD)	1988.53	10/31/07	680.91	03/09/09	1390.77	-30.06%	2.25%	3.18%
S&P Consumer Discretionary	530.10	12/31/13	125.72	03/09/09	528.83	-0.24%	-0.04%	1.31%
S&P Consumer Staples	446.03	11/15/13	199.80	03/09/09	433.77	-2.75%	-1.75%	2.68%
S&P Energy	668.81	05/20/08	225.27	03/25/04	638.36	-4.55%	-1.55%	2.20%
S&P Utilities	223.91	12/10/07	112.86	05/17/04	204.33	-8.74%	6.50%	3.83%
S&P Financials	509.55	02/20/07	81.74	03/06/09	292.07	-42.68%	-0.59%	1.71%
S&P Banks	414.38	02/20/07	49.02	03/05/09	213.95	-48.37%	2.74%	2.26%
FTSE NAREIT Equity REITs	676.54	02/07/07	163.57	03/06/09	549.55	-18.77%	8.13%	3.50%
S&P Health Care	686.45	02/28/14	252.84	03/05/09	686.45	0.00%	7.17%	1.57%
S&P Pharmaceuticals	523.28	02/27/14	214.50	03/03/09	523.14	-0.03%	7.41%	2.52%
NYSE Arca Biotechnology	2946.23	02/25/14	447.78	08/09/04	2814.71	-4.46%	20.83%	0.14%
S&P Information Technology	595.78	02/27/14	198.51	11/20/08	595.09	-0.12%	2.00%	1.53%
Philadelphia Semiconductor	564.29	02/26/14	171.32	11/20/08	563.83	-0.08%	5.75%	1.64%
S&P Telecom Services	181.06	05/31/07	88.10	03/09/09	147.50	-18.54%	-4.15%	4.89%
S&P Industrials	452.46	12/31/13	132.83	03/09/09	447.16	-1.17%	-0.73%	1.96%
S&P Materials	296.64	02/28/14	108.33	03/02/09	296.64	0.00%	2.03%	2.27%
Philadelphia Gold & Silver	228.95	04/08/11	64.36	10/27/08	99.55	-56.52%	18.53%	2.15%
Reuters/Jefferies CRB	473.52	07/02/08	200.34	03/02/09	302.43	-36.13%	7.95%	N/A
Merrill Lynch Perpetual Preferred	197.97	05/08/13	51.79	03/09/09	193.18	-2.42%	5.35%	5.79%
Merrill Lynch High Yield Constrained	347.56	02/28/14	130.37	12/12/08	347.56	0.00%	2.75%	6.11%