First Trust
120 E. Liberty Drive, Wheaton, IL 60187 630-765-8000

For The Week Ended October 24, 2008
Weekly Market Commentary & Developments

US Economy and Credit Markets

Yields and Weekly Changes:

3 Mo. T-Bill	0.86 (+07 bps)	**GNMA (30 Yr) 7% Coupon:** 103-10/32 (5.84%)	
6 Mo. T-Bill	1.39 (+17 bps)	**Duration:** 3.68 years	
1 Yr. T-Note	1.58 (+31 bps)	**30-Year Insured Revs**: 148.3% of 30 Yr. T-Bond	
2 Yr. T-Note	1.53 (-07 bps)	**Bond Buyer 40 Yield**: 5.54% (-115 bps)	
5 Yr. T-Note	2.60 (-21 bps)	**Crude Oil Futures**: 64.72 (-7.41)	
10 Yr. T-Bond	3.70 (-22 bps)	**Gold Futures**: 725.10 (-49.30)	
30 Yr. T-Bond	4.31 (-23 bps)	**Merrill Lynch High Yield Indices:**	
		BB, 7-10 Yr.	12.65% (+33 bps)
		B, 7-10 Yr.	17.30% (+16 bps)

Treasury prices zigzagged through the course of the week, eventually closing the week's trading in positive territory for longer-maturities and closing lower for bills and shorter-term notes. Prices fell Monday as Fed Chairman Ben Bernanke expressed support for an additional stimulus program to spur the economy. After weak earnings dented the stock market, prices rose Tuesday. Prices rose again Wednesday on fears that the U.S. economic slowdown will spread to other countries. The rise in stocks drove prices lower Thursday, before a rebound Friday as stock markets declined worldwide and investors sought the safety of Treasuries. Fed futures trading shows a 100 percent chance that the Fed will cut rates by 50 bps when it meets on Wednesday. Economic reports (and related consensus forecasts) for the coming week include: Monday: September New Home Sales (450,000); Tuesday: October Consumer Confidence (52.0); Wednesday: September Durable Goods Orders (-1.0%, Ex Transportation -1.5%) and FOMC Rate Decision (1.00%); Thursday: 3Q Actual GDP (-0.5%, Price Index 4.0%) and Initial Jobless Claims (473,000); Friday: September Personal Income (0.1%) and Personal Spending (-0.2%), 3Q Employment Cost Index (0.7%), October Chicago Purchasing Manager (48.0), and October final U of Michigan Confidence (57.5).

US Stocks

Weekly Index Performance

DJIA	8378.95 (-473.27,-5.3%)
S&P 500	876.77 (-63.78,-6.8%)
S&P MidCap	501.53 (-53.48,-9.6%)
S&P Small Cap	251.54 (-30.79,-10.9%)
NASDAQ Comp	1552.03 (-159.26,-9.3%)
Russell 2000	471.12 (-55.48,-10.5%)

Market Indicators

Strong Sectors: Utilities, Energy, Health Care
Weak Sectors: Materials, Financials, Consumer Discretionary
NYSE Advance/Decline: 824 / 2,480
NYSE New Highs/New Lows: 7 / 1,042
AAII Bulls/Bears: 38.7% / 38.7%

Equity markets continued to experience wide intraday swings and US stocks suffered another week of steep losses as investors debated how long and severe the current economic slowdown will be. In the meantime, they continue to seek safe harbors to ride out the storm. Defensive sectors, such as utilities and health care, held up relatively well outperforming the broader market while large caps outperformed small and mid cap stocks for the week. Energy shares were among the better performers despite crude falling over 10% to end the week at $64.15/bbl. OPEC announced late in the week it will cut production to deal with falling oil prices. Earnings news was a mixed bag although companies were consistent in their muted outlooks and limited visibility into the next several quarters. **Apple** reported that strong iPhone sales boosted quarterly results above expectations and offered their usual cautious outlook for the current quarter. **McDonald's** reported strong sales and earnings gains as consumers look to get more for their money. **Amgen** shares gained after reporting strong drug sales for the quarter. **Boeing's** results were hurt by delayed deliveries due to production and supply disruptions. **Yahoo** reported weak results and will slash its workforce. The US auto industry remained under pressure as Kirk Kerkorian divested a portion of his **Ford** stake and **GM** pondered a merger with **Chrysler** as a way to survive. In merger news, **Exelon** offered $6.2 billion for **NRG Energy** while **PNC** will buy troubled **National City** for $5.2 billion. Looking ahead, the coming week brings several important economic reports as well as more earnings. Trading will likely remain volatile as investors digest each data point. While the speed and breadth of the market decline over the last several weeks has no doubt created some compelling opportunities for patient investors, the vast majority of market participants will likely wait to see concrete signs the credit crisis is under control and the economy is on more solid ground before committing significant sums of sidelined capital.