FIRST Trust ADVISORS L.P.
1001 Warrenville Road, Suite 300, Lisle, IL 60532 630/241-4141

For The Week Ended January 25, 2008
Weekly Market Commentary & Developments

US Economy and Credit Markets

Yields and Weekly Changes:

3 Mo. T-Bill	2.24 (-60 bps)	**GNMA (30 Yr) 8% Coupon:** 104-21/32 (5.88%)	
6 Mo. T-Bill	2.36 (-48 bps)	**Duration:** 2.88 years	
2 Yr. T-Note	2.19 (-10 bps)	**30-Year Insured Revs**: 101.4% of 30 Yr. T-Bond	
5 Yr. T-Note	2.77 (-09 bps)	**Bond Buyer 40 Yield**: 4.82% (+09 bps)	
10 Yr. T-Note	3.56 (-07 bps)	**Crude Oil Futures**: 90.81 (+0.19)	
30 Yr. T-Bond	4.26 (-02 bps)	**Gold Futures**: 913.60 (+28.10)	
		Merrill Lynch High Yield Indices:	
		BB, 7-10 Yr.	8.10% (-06 bps)
		B, 7-10 Yr.	9.88% (-10 bps)

After the Fed cut its target rate by 75 bps at an emergency meeting on Tuesday, Treasuries gained for the sixth straight week. In addition to the emergency cut, the central bank is expected to further lower rates at its regularly scheduled meeting on Wednesday, with an additional 50 bps reduction the consensus forecast. Following the Martin Luther King, Jr. holiday, prices rose sharply Tuesday after the Fed action, before falling Wednesday and Thursday as the stock market surged. Treasury prices resumed their climb again Friday as recession fears continued to linger despite the $150 billion stimulus package agreed to by the president and the House. First-time unemployment claims fell to their lowest level in 15 months. Economic reports (and related consensus forecasts) for the coming week include: Monday: December New Home Sales (649,000); Tuesday: December Durable Goods Orders (1.9%, less Transportation unch.); Wednesday: 4Q Actual GDP (1.2%, Price Index 2.6%) and FOMC Rate Decision (3.00%); Thursday: December Personal Income (0.4%) and December Personal Spending (0.1%), Initial Jobless Claims (317,000), and January Chicago Purchasing Manager Index (52.0); and Friday: January Employment Report, including Change in Nonfarm Payrolls (65,000), Unemployment Rate (5.0%), Average Hourly Earnings (0.3%), and Average Weekly Hours (33.8), January Final U of Michigan Consumer Confidence (79.0), January ISM Manufacturing (47.5, Prices Paid 68.0), and January Total Vehicle Sales (16.1 million).

US Stocks

Weekly Index Performance

DJIA	12207.17 (+107.87,+0.9%)
S&P 500	1330.61 (+5.42,+0.4%)
S&P MidCap	771.87(+15.66,+2.1%)
S&P Small Cap	360.15 (+9.55,+2.7%)
NASDAQ Comp	2326.20 (-13.82,-0.6%)
Russell 2000	688.60 (+15.42,+2.3%)

Market Indicators

Strong Sectors: Financials, Consumer Discretionary, Materials
Weak Sectors: Health Care, Utilities, Consumer Staples
NYSE Advance/Decline: 2,456 / 1,109
NYSE New Highs/New Lows: 56 / 1,224
AAII Bulls/Bears: 25.1% / 59.0%

Despite an ominous start to the week, U.S. stocks posted modest gains for the week. Stocks opened down sharply on Tuesday after a global sell-off on Monday (U.S. markets were closed for the Martin Luther King holiday) due to growing U.S. recession fears. The Federal Reserve reacted with a 75 basis point rate cut before the start of trading in an effort to shore up investor confidence. Numerous earnings reports from the tech sector offered investors a mixed bag. **Microsoft** reported strong earnings and an increased forecast; however shares fell in weak trading Friday. **Nokia**, **Qualcomm**, **Texas Instruments** & **Symantec** all reported solid quarterly results. **Apple** shares fell sharply following a disappointing 2008 forecast. **eBay** shares lost ground on a forecast below expectations and plans for CEO Meg Whitman to retire. **Motorola** shares were weak following a lowered forecast for 2008 handset shipments. **Merck** & **Schering**-**Plough** fell on concerns about the efficacy of Vytorin and Zetia. Homebuilder shares surged thanks to the Fed rate cut and discussions in Washington about raising the limits for conforming mortgages. Retailers gained on hopes the rate cut and the President's economic stimulus plan will lift the economy. Bond insurer shares surged late in the week on rumors of a bailout. Looking ahead, the coming week brings a Fed meeting (expectations are for at least another 25 basis point rate cut) and numerous earnings reports. With the overall market mood growing more pessimistic over the last several weeks, equities could regain their footing should new data point to a less dire outcome. Regardless, patient investors should be able to find some bargains among the ruins of the last several weeks.