First Trust
1001 Warrenville Road, Suite 300, Lisle, IL 60532 630/241-4141

For The Week Ended October 3rd, 2008
Weekly Market Commentary & Developments

US Economy and Credit Markets:

Yields and Weekly Changes:

3 Mo. T-Bill	0.47 (-37 bps)	**GNMA (30 Yr) 7% Coupon:** 104-13/32 (5.14%)	
6 Mo. T-Bill	1.09 (-47 bps)	**Duration:** 3.60 years	
1 Yr. T-Note	1.39 (-45 bps)	**30-Year Insured Revs**: 137.2% of 30 Yr. T-Bond	
2 Yr. T-Note	1.59 (-52 bps)	**Bond Buyer 40 Yield**: 5.89% (+06 bps)	
5 Yr. T-Note	2.63 (-42 bps)	**Crude Oil Futures**: 93.16 (-14.04)	
10 Yr. T-Bond	3.60 (-24 bps)	**Gold Futures**: 827.70 (-50.80)	
30 Yr. T-Bond	4.08 (-28 bps)	**Merrill Lynch High Yield Indices:**	
		BB, 7-10 Yr.	10.19% (+749 bps)
		B, 7-10 Yr.	13.99% (+148 bps)

Treasury prices were higher across the board for the week, with the two-year note showing its sixth straight week of gains. Numerous factors fueled the decline in yields, including the greater-than-expected declines in jobs, increased likelihood of a Fed rate cut, and the financial rescue bill passed by Congress and signed by the President. The September Department of Labor employment report showed that nonfarm payrolls declined by 159,000, far exceeding analysts estimates, which had foreseen a loss of 105,000 jobs. It marked the largest drop in payrolls in five years, and the unemployment rate remained at 6.1%. With the slowdown in the economy, the probability of a cut to the Fed's target rate has risen; Fed futures show an 84% chance that the Fed will cut rates by a half point at the October 29 meeting and a 16% chance of a quarter-point cut. Despite the passage of a broad-based plan to revive the economy and the troubled financial industry, questions remain as to the effectiveness of the plan in repairing credit markets and in spurring economic growth. Economic reports (and related consensus forecasts) for the coming week include: Tuesday: Minutes of Sept. 16 FOMC Meeting released and August Consumer Credit ($5.9 billion); Thursday: Initial Jobless Claims (475,000) and August Wholesale Inventories (0.4%); and Friday: August Trade Balance (-$59.0 billion) and September Import Price Index (-2.5%).

US Stocks:

Weekly Index Performance

DJIA	10325.38 (-817.75,-7.3%)
S&P 500	1099.23 (-113.78,-9.4%)
S&P MidCap	661.97 (-91.30,-12.1%)
S&P Small Cap	331.47 (-42.04,-11.3%)
NASDAQ Comp	1947.39 (-235.95,-10.8%)
Russell 2000	619.40 (-85.39,-12.1%)

Market Indicators

Strong Sectors: Health Care, Consumer Staples, Telecom, Utilities
Weak Sectors: Materials, Energy, Industrials
NYSE Advance/Decline: 393 / 2,919
NYSE New Highs/New Lows: 19 / 1,373
AAII Bulls/Bears: 33.3% / 55.0%

US stocks tumbled to their steepest weekly declines since the aftermath of 9/11. The DJIA plunged 738 points on Monday after the House rejected the $700 billion financial bailout package. By week's end Congress had passed a modified version but the event was an anticlimax for the markets. Following a succession of bleak economic data capped by Friday's September jobs report, investors came to view the bailout as unlikely to steer the economy away from protracted weakness. Initially the reaction to Friday's jobs report had been positive: Job losses were substantial enough to stir hopes the Fed would enact an inter-meeting interest rate cut. However, optimism faded and stocks slumped into the close. The week's losses took the DJIA to a three-year low and the S&P 500 to a near four-year low. Commodity-linked shares endured heavy selling amid liquidation from hedge funds. Oil declined 12% decline to below $94. **Mosaic** fell short of quarterly targets despite higher profits, sending its shares tumbling 40%. **Citigroup**'s Fed-brokered deal to acquire the banking operations of **Wachovia** for about $2 billion gave way to a superior offer for the entire company valued at $15.4 billion from **Wells Fargo**. **Hartford Financial Services Group** and **MetLife** were victims to rumors they would not be able to make good on promises backing annuity products. Meanwhile the government extended a short-selling ban on hundreds of stocks. **General Electric** reached out to Warren Buffett for $3 billion in exchange for a preferred stake yielding 10%. Looking ahead, last week's extreme pessimism may abate as investors take stock of the government's recent efforts to support the Financial sector. The collateral damage to stocks more distant from the epicenter of the credit crunch is significant, and attractive values may soon make themselves apparent to investors.