First Trust — Market Watch

Week of December 15th

STOCK INDEX PERFORMANCE

Index	Week	YTD	12-mo.	2007	5-yr.
DOW JONES 30 (8630)	-0.01%	-33.11%	-34.10%	8.88%	-0.65%
S&P 500 (880)	0.48%	-38.73%	-39.43%	5.49%	-2.04%
NASDAQ 100 (1207)	2.48%	-41.82%	-42.26%	19.24%	-2.74%
S&P 500/Citigroup Growth	2.03%	-36.52%	-36.96%	9.25%	-2.61%
S&P 500/Citigroup Value	-1.25%	-41.08%	-42.02%	2.03%	-1.54%
S&P MidCap 400/Citigroup Growth	2.19%	-41.15%	-41.91%	13.55%	-1.49%
S&P MidCap 400/Citigroup Value	1.76%	-38.61%	-39.30%	2.84%	-0.29%
S&P SmallCap600/Citigroup Growth	1.52%	-36.83%	-37.66%	5.66%	-0.06%
S&P SmallCap600/Citigroup Value	1.30%	-34.80%	-35.49%	-5.19%	-0.25%
MSCI EAFE	8.41%	-45.79%	-47.59%	13.04%	2.15%
MSCI World (ex US)	8.51%	-46.00%	-47.54%	13.04%	2.39%
MSCI World	4.39%	-42.69%	-43.86%	9.69%	0.07%
MSCI Emerging Markets	10.91%	-54.77%	-55.60%	39.23%	7.59%

Source: Bloomberg. Returns are total returns. *The 5-yr. return is an average annual.* One-week, YTD, 12-mo. and 5-yr. performance returns calculated through 12/12/08.

S&P SECTOR PERFORMANCE

Index	Week	YTD	12-mo.	2007	5-yr.
Consumer Discretionary	-0.58%	-35.34%	-36.99%	-13.21%	-5.99%
Consumer Staples	-2.93%	-18.47%	-19.68%	14.36%	4.09%
Energy	8.59%	-34.59%	-32.88%	34.41%	15.01%
Financials	-5.68%	-57.28%	-58.25%	-18.52%	-12.65%
Health Care	-0.14%	-27.30%	-29.08%	7.32%	-1.31%
Industrials	-1.88%	-42.87%	-43.31%	12.04%	-1.94%
Information Technology	4.49%	-42.88%	-43.40%	16.30%	-5.15%
Materials	5.58%	-45.60%	-46.03%	22.53%	-0.45%
Telecom Services	-1.29%	-32.31%	-33.58%	11.88%	4.61%
Utilities	0.56%	-30.49%	-31.37%	19.38%	8.85%

Source: Bloomberg. Returns are total returns. *The 5-yr. return is an average annual.* One-week, YTD, 12-mo. and 5-yr. performance returns calculated through 12/12/08.

BOND INDEX PERFORMANCE

Index	Week	YTD	12-mo.	2007	5-yr.
U.S. Treasury: Intermediate	0.52%	10.70%	11.07%	8.83%	5.29%
GNMA 30 Year	0.87%	6.92%	7.49%	6.97%	5.28%
U.S. Aggregate	0.93%	3.34%	4.04%	6.97%	4.33%
U.S. Corporate High Yield	-1.20%	-33.50%	-33.74%	1.88%	-2.71%
U.S. Corporate Investment Grade	0.99%	-8.97%	-8.16%	4.56%	1.33%
Municipal Bond: Long Bond (22+)	-3.39%	-21.07%	-20.77%	0.46%	-0.59%
Global Aggregate	1.92%	1.64%	2.01%	9.48%	4.67%

Source: Lehman Bros. Returns include reinvested interest. *The 5-yr. return is an average annual.* One-week, YTD, 12-mo. and 5-yr. performance returns calculated through 12/12/08.

KEY RATES

As of 12/12

Fed Funds	1.00%	5-YR CD	3.62%
LIBOR (1-month)	1.64%	2-YR Note	0.75%
CPI - Headline	3.70%	5-YR Note	1.51%
CPI - Core	2.20%	10-YR T-Bond	2.57%
Money Market Accts.	2.34%	30-YR T-Bond	3.04%
Money Market Funds	1.09%	30-YR Mortgage	5.57%
6-mo. CD	2.75%	Prime Rate	4.00%
1-YR CD	3.22%	Bond Buyer 40	6.57%

Sources: Bankrate.com, iMoneyNet.com and Bloomberg

MARKET INDICATORS

As of 12/12

TED Spread:	Investment Grade Spread	ML High Yield Master II
185 bps	(A2): 619 bps	Index Spread: 2113 bps

Sources: Bloomberg and Merrill Lynch via Bloomberg.

WEEKLY FUND FLOWS

	Week of 12/10	Previous
Equity Funds	**$5.8 B**	**$284 M**

Including ETF activity, Domestic funds reported net inflows of $5.683 B and Non-domestic funds reported net inflows of $108 M.

Bond Funds	**$416 M**	**$513 M**

Net outflows are reported from all sectors but funds that invest in High Yield corporates, $23 M, and Mortgages, $151 M. High Yield Corporate bond funds have reported net inflows four of the last six weeks.

Municipal Bond Funds	**-$1.053 B**	**-$303 M**

12 consecutive weeks of outflows; the largest since 10/22.

Money Markets	**$31.764 B**	**$27.829 B**

Net inflows are reported for the eighth week in the last nine.

Source: AMG Data Services

FACTOIDS FOR THE WEEK OF DECEMBER 8TH - DECEMBER 12TH

Monday, December 8, 2008
Today's high yield corporate bond market resembles November 1990, the last time yield spreads were at record levels, according to Martin Fridson, a money manger and 25-year veteran of the junk market. The average yield on high yield debt has topped 20% for the first time ever (Merrill Lynch's High Yield Master II Index yields 22.22%). The spread over a 10-yr. T-Bond is 19.51%. While defaults are expected to increase over the next year from 3.3% to 10.0% or higher, the drop in bond prices normally associated with a surge in defaults has for the most part already been realized. With respect to the November 1990 reference, investors should know that the U.S. exited a recession in the second quarter of 1991 and high yield corporates went on to post a total return of 39% for that calendar year, according to *BusinessWeek*.

Tuesday, December 9, 2008
The global speculative-grade default rate stood at 3.1% in November, up from 2.9% (revised up from 2.8%) in October, according to Moody's. The rate was 0.9% a year ago. Moody's is now forecasting the rate will rise to 10.4% by November 2009. The U.S. speculative-grade default rate stood at 3.4% in November, up from 3.3% in October. The rate was 1.0% a year ago. Moody's is now forecasting the rate will rise to 10.7% by November 2009. The default rate on senior loans stood at 3.76% at the close of November, up from 3.59% in October, according to Standard & Poor's LCD. The rate was 0.26% (all-time low) at the start of 2008.

Wednesday, December 10, 2008
The Ford Equity Research Investment Review newsletter features a market-timing model with a solid long-term track record, according to MarketWatch.com. The model evaluates thousands of stocks by dividing the price of a stock by the value derived from a proprietary intrinsic value model (price-to-value). A value greater than 1.00 is a signal the stock is overpriced, while less than 1.00 indicates it is undervalued. Ford calculates an average for the universe. The four-decade average is 1.17. The high for the average was 1.81 at the close of September 1987, just three weeks before the crash. The second highest average was 1.79 at the close of February 2000, three weeks or so prior to the bursting of the Internet bubble. Today, the average stands at 0.68, the lowest level since December 1974. Ford believes the market will have established a bottom by year-end.

Thursday, December 11, 2008
S&P 500 stock buyback activity for Q3'08 totaled $89.7 billion, a decline of 47.8% from the record setting $172.0 billion spent in Q3'07, according to Standard & Poor's. It was the second straight quarter in which buybacks came in below $100 billion ($87.91 in Q2'09). Buybacks had exceeded $100 billion for 10 consecutive quarters through Q1'08 – averaging $123.91 per quarter. Over the past sixteen quarters (buyback boom began Q4'04), companies spent approximately $1.73 trillion on buybacks, versus $1.87 trillion on capital expenditures and $907 billion on dividends.

Friday, December 12, 2008
From 1945 through 2007, the S&P 500 experienced 49 one-day moves of 4% or more, which is less than one per year, according to Bespoke Investment Group. We have had 28 so far this year through December 8. The market has been so volatile of late that the S&P 500 just posted a 50-day average daily % change (up or down) of 4.02%. That is highest level of volatility on record. It even tops the 3.5% level reached during the Great Depression.