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

For The Week Ended October 16, 2009
Weekly Market Commentary & Developments

US Economy and Credit Markets:

Yields and Weekly Changes:

3 Mo. T-Bill	0.05 (-01 bps)	**GNMA (30 Yr) 6% Coupon:**	105-30/32 (2.68%)
6 Mo. T-Bill	0.14 (-01 bps)	**Duration:**	3.17 years
1 Yr. T-Bill	0.32 (-02 bps)	**30-Year Insured Revs**:	165.7% of 30 Yr. T-Bond
2 Yr. T-Note	0.95 (-01 bps)	**Bond Buyer 40 Yield**:	5.14% (+14 bps)
3 Yr. T-Note	1.49 (-01 bps)	**Crude Oil Futures**:	78.58 (+6.81)
5 Yr. T-Note	2.34 (no change)	**Gold Futures**:	1050.70 (+2.90)
10 Yr. T-Note	3.40 (+02 bps)	**Merrill Lynch High Yield Indices:**	
30 Yr. T-Bond	4.23 (+01 bps)	**BB, 7-10 Yr.**	8.07% (-09 bps)
		B, 7-10 Yr.	9.69% (-07 bps)

Treasury yields ended the week virtually unchanged after the bond market was closed on Monday in observance of the Columbus Day Holiday. Treasury prices rallied Tuesday on dovish comments from senior Federal Reserve officials after selling off last week. Treasury prices fell Wednesday as equities rallied on positive earnings announcements from JP Morgan and Intel and September Advance Retail Sales beat expectations coming in at -1.5% vs. the survey estimate of -2.1%. Longer dated maturities bore much of the selling pressure as increasing optimism increases inflation expectations. Treasury prices continued lower Thursday while the Consumer Price Index was reported in line with expectations at 0.2%. Excluding Food & Energy, CPI was reported at 0.2% vs. the expectation of 0.1%. Most Treasury prices gained Friday as investors sought higher yields. Industrial Production and Capacity Utilization were reported Friday at 0.7% and 70.5% respectively vs. the survey estimates of 0.2% and 69.8%. Major economic reports (and related consensus forecasts) for next week include: Tuesday: September Producer Price Index (-0.1%, Ex Food & Energy 0.1%), September Housing Starts (610,000), September Building Permits (590,000); Wednesday: Fed Beige Book Commentary on Current Economic Conditions; Friday: September Existing Home Sales (5,360,000).

US Stocks:

Weekly Index Performance

DJIA	9995.91 (130.97,+1.3%)
S&P 500	1087.68 (+16.19,+1.5%)
S&P MidCap	707.87 (+5.68,+0.8%)
S&P Small Cap	325.38 (+2.03,+0.6%)
NASDAQ Comp	2156.80 (+17.52,+0.8%)
Russell 2000	616.18 (+1.26,+0.2%)

Market Indicators

Strong Sectors: Energy, Industrials, Materials
Weak Sectors: Financials, Telecomm Svcs, Technology
NYSE Advance/Decline: 1,766 / 1,391
NYSE New Highs/New Lows: 802 /6
AAII Bulls/Bears: 47.3% /33.8%

US stocks ended the week with modest gains amidst volatile trading as both earnings and economic data provided a mixed bag. Investors took a positive view of retail sales (ex autos) that surpassed expectations and falling business inventories though a lower than expected consumer confidence number brought selling. Oil rose over 9% for the week on a continued decline in the dollar and a drop in inventories. Gold continued to climb higher as well. **JPMorgan** and **Goldman Sachs** handily beat earnings estimates on strength in fixed income and investment banking. **JPMorgan** however noted consumer credit remains weak. **Bank of America** and **Citigroup** were weighed down by credit concerns. Despite positive signs from its industrial businesses, **GE** traded lower after earnings due to weakness in its finance unit. **Intel** reported strong top and bottom line results and guided revenue estimates higher. **Google** traded higher after handily beating estimates. Despite solid results, **IBM's** shares were weighed down by concerns over new contract signings. **Nokia** shares slumped amid weak results and worries about margin and market share pressures. **Johnson & Johnson** shares fell on disappointing revenues. Managed care shares showed weakness after the Senate Finance Committee approved an $829 billion health care reform bill. In merger news, **Cisco** announced the $2.9 billion acquisition of **Starent Networks**. Looking ahead, earnings will remain in focus for the next several weeks while housing data this week will also be closely monitored. As expected, the first wave of earnings reports showed a majority beating bottom line forecasts though revenues were less impressive and led to mixed performance results. Strong top line performance and/or clear trends in that direction will likely be needed for stocks to take the next leg higher.