First Trust
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For The Week Ended October 2, 2009
Weekly Market Commentary & Developments

US Economy and Credit Markets:

Yields and Weekly Changes:

3 Mo. T-Bill	0.08 (-01 bps)	**GNMA (30 Yr) 6% Coupon:**	105-22/32 (2.90%)
6 Mo. T-Bill	0.13 (-04 bps)	**Duration:**	3.01 years
1 Yr. T-Bill	0.33 (-06 bps)	**30-Year Insured Revs**:	174.4% of 30 Yr. T-Bond
2 Yr. T-Note	0.86 (-11 bps)	**Bond Buyer 40 Yield**:	4.93% (-08 bps)
3 Yr. T-Note	1.34 (-11 bps)	**Crude Oil Futures**:	69.95 (+3.93)
5 Yr. T-Note	2.20 (-15 bps)	**Gold Futures**:	1003.20 (+12.90)
10 Yr. T-Note	3.21 (-09 bps)	**Merrill Lynch High Yield Indices:**	
30 Yr. T-Bond	3.99 (-09 bps)	**BB, 7-10 Yr.**	8.27% (+07 bps)
		B, 7-10 Yr.	9.97% (-04 bps)

Treasury prices ended higher across the curve this week as weaker reported economic data seemed to outweigh the positive. Prices were modestly higher across the curve Monday on light volume and traded relatively flat on Tuesday. Short-term Treasury prices rose Wednesday as Fed Vice Chairman Donald Kohn reiterated that rates will remain very low for an “extended period” however, he indicated that the Fed will withdraw accommodation “well before inflation and inflation expectations rise above levels consistent with price stability.” Treasuries had the strongest rally for the week on Thursday as the ISM Manufacturing Index was reported at 52.6 which was lower than the expectation of 54.0 and a larger than expected report of initial jobless claims contributed to concerns about the non-farm payroll report due Friday. Although non-farm Payrolls were reported much weaker than expected Friday at -263,000 vs. the survey estimate of -175,000, Treasury prices were mostly flat as this was generally priced in with Thursday’s rally and investors turned their attention to $71 billion of auctions next week. Major economic reports (and related consensus forecasts) for next week include: Monday: September ISM Non-Manufacturing Composite (50.0); Wednesday: August Consumer Credit (-$10.0 billion); Thursday: August Wholesale Inventories (-1.0%); Friday: August Trade Balance (-$33.0 billion).

US Stocks:

Weekly Index Performance

DJIA	9487.67 (-177.52,-1.8%)
S&P 500	1025.21 (-19.17,-1.8%)
S&P MidCap	663.43 (-14.88,-2.2%)
S&P Small Cap	305.08 (-9.55,-3.0%)
NASDAQ Comp	2048.11 (-42.81,-2.0%)
Russell 2000	580.20 (-18.74,-3.1%)

Market Indicators

Strong Sectors: Consumer Staples, Health Care ,Telecomm
Weak Sectors: Industrials, Materials, Energy
NYSE Advance/Decline: 947 / 2,220
NYSE New Highs/New Lows: 476 /10
AAII Bulls/Bears: 43.6% /35.5%

US stocks fell for a second consecutive week as economic data cast doubt about the strength of the economic recovery. The consecutive weekly losses were the first for equities in nearly three months. Reports on September consumer confidence, Chicago PMI and September employment all disappointed sending shares lower. Home prices showed a second consecutive month of gains though the data was largely lost on the market due to the other reports. Wednesday brought to a close another solid quarter for equities. The S&P 500, S&P Midcap 400 and S &P Small Cap 600 returned 15.6%, 20.0% and 18.7% for the quarter, respectively. The S&P 500 posted a second consecutive quarter of double digits returns for the first time in almost 24 years. In earnings related news, **Walgreen’s** shares gained on solid quarterly results boosting fellow drug store stocks as well. **Nike** reported earnings ahead of expectations on strong cost controls. Managed health care stocks were weak on renewed legislation worries for the group. The FDIC proposed that banks prepay $45 billion in deposit insurance fees due through 2012 to shore up the FDIC insurance fund. Embattled **Bank of America** CEO Ken Lewis announced he is stepping down by year end. In merger news, deal flow continued to pick up. **Xerox** announced a $6.4 billion offer for **Affiliated Computer Services** to increase its services offerings and **Abbot Labs** announced a $6.6 billion deal for the drug unit of Belgium firm **Solvay**. Looking ahead, the coming week marks the beginning of earnings season. While economic data has driven the market of late, the coming weeks will provide crucial clues on the strength of corporate America. Future gains for equities are likely to depend not only on what companies say about third quarter earnings but also their confidence in business trends for the coming quarters.