First Trust
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For The Week Ended June 19th, 2009
Weekly Market Commentary & Developments

US Economy and Credit Markets:

Yields and Weekly Changes:

3 Mo. T-Bill	0.16 (No Change)	**GNMA (30 Yr) 6% Coupon:**	103-28/32 (4.56%)
6 Mo. T-Bill	0.32 (+04 bps)	**Duration:**	3.42 years
1 Yr. T-Bill	0.47 (-02 bps)	**30-Year Insured Revs**:	152.9% of 30 Yr. T-Bond
2 Yr. T-Note	1.20 (-06 bps)	**Bond Buyer 40 Yield**:	5.44% (-10 bps)
3 Yr. T-Note	1.82 (-07 bps)	**Crude Oil Futures**:	69.62 (-2.42)
5 Yr. T-Note	2.80 (+02 bps)	**Gold Futures**:	935.60 (-4.50)
10 Yr. T-Note	3.77 (-01 bps)	**Merrill Lynch High Yield Indices:**	
30 Yr. T-Bond	4.51 (-13 bps)	**BB, 7-10 Yr.**	10.18% (+10 bps)
		B, 7-10 Yr.	11.95% (-12 bps)

Treasuries continued their rally Monday and Tuesday this week as equity markets weakened and Dallas Federal Reserve President Richard Fisher indicated that the Fed will not “monetize” the fiscal deficit by printing money and there has been no “pressure” from the Obama administration to do so. Prices of 10 and 30 year issues faded Wednesday on profit taking after consecutive gains since last Thursday while the 2 year note gained, steepening the yield curve for the first time since last week. Prices fell Thursday on economic optimism and stronger equity prices. Longer dated Treasury prices rose Friday as traders bet Thursday’s losses would not be sustained. On Tuesday, May PPI was reported to increase by 0.2% vs. a consensus expectation of 0.6% and is down 5.0% versus a year ago and Housing Starts were reported to increase to 532,000 vs. the survey estimate of 485,000. CPI was reported on Wednesday and increased 0.1% in May vs. the expectation of 0.3% and is down 1.3% vs. this time last year. Major economic reports (and related consensus forecasts) for next week include: Tuesday: May Existing Home Sales (4.8 million); Wednesday: FOMC Rate Decision (0.25%), May New Home Sales (360,000); Thursday: 1Q GDP QoQ Annualized (-5.7%); Friday: U of M Consumer Confidence (69).

US Stocks:

Weekly Index Performance

DJIA	8539.73 (-259.53,-3.0%)
S&P 500	921.23 (-24.98,-2.6%)
S&P MidCap	577.98 (-19.04,-3.2%)
S&P Small Cap	269.70 (-6.90,-2.5%)
NASDAQ Comp	1827.47 (-31.33,-1.7%)
Russell 2000	512.72 (-14.11,-2.7%)

Market Indicators

Strong Sectors: Health Care, Technology, Consumer Staples
Weak Sectors: Energy, Materials, Industrials
NYSE Advance/Decline: 866 / 2,307
NYSE New Highs/New Lows: 27 / 8
AAII Bulls/Bears: 33.3% / 46.4%

US stocks fell for only the second time in eight weeks as investors paused to re-evaluate their outlook for the economy. A “reflation” trade that had lifted commodities and commodity-linked shares in recent weeks gave way to caution as investors rotated into defensive issues. Readings on producer and consumer prices showed inflation for the time being remains subdued. Crude oil futures fell for the first time in five weeks, ending below $70/bbl. The Leading Economic Indicators increased for the second straight month, offering reason for optimism on the economy, but investors weren’t receptive. Other data on housing starts and continuing jobless claims were also positive. The government outlined its plans for reform in the Financial sector, pointing to an expanded oversight role for the Fed. S&P downgraded or reduced its outlook on 22 banks. Health Care shares outperformed as the market appeared to anticipate significant compromises on reform given its substantial price tag. Investors found reasons for caution in several noteworthy earnings reports. **FedEx**’s earnings beat expectations but its outlook for the current quarter was disappointing. **Best Buy** likewise reported a beat on earnings, but same-store sales comparisons for the quarter were more negative than expected. Finally, **Research In Motion** couldn’t satisfy lofty expectations despite offering up strong results. **Genzyme** shares took a hit on news the company suspended production of two key treatments due to contamination at a manufacturing plant. **Apple** shares traded higher as the company launched an updated iPhone. Looking ahead, investors will get plenty of economic data to chew on this week as well as a scheduled meeting of the FOMC. A tug-of-war between bulls and bears may confine stocks to a trading range for the time being at least until the effects of the government’s massive stimulus effort become more apparent in corporate earnings.