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

For The Week Ended February 5, 2010

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:**	107-03/32 (2.42%)
6 Mo. T-Bill	0.14 (+01 bps)	**Duration:**	3.15 years
1 Yr. T-Bill	0.27 (unch.)	**30-Year Insured Revs**:	153.4% of 30 Yr. T-Bond
2 Yr. T-Note	0.76 (-04 bps)	**Bond Buyer 40 Yield**:	5.31% (-08 bps)
3 Yr. T-Note	1.25 (-10 bps)	**Crude Oil Futures**:	71.84 (-1.05)
5 Yr. T-Note	2.23 (-10 bps)	**Gold Futures**:	1062.10 (-15.90)
10 Yr. T-Note	3.56 (-02 bps)	**Merrill Lynch High Yield Indices:**	
30 Yr. T-Bond	4.51 (+02 bps)	**BB, 7-10 Yr.**	7.74% (+12 bps)
		B, 7-10 Yr.	8.99% (+19 bps)

Upbeat economic news early in the week gave way to concern Thursday and Friday as Treasury prices started the week lower and ultimately ended generally higher to even. Treasury prices were lower across the curve Monday after the ISM Manufacturing Index was reported to have increased to 58.4 in January vs. the consensus expectation of 54.9. Additionally, Personal Income in December was up 0.40% vs. the survey estimate of 0.30%. There was little change on Tuesday. Prices fell again on Wednesday as investors anticipated that Friday's non-farm payroll report would be positive following a better than expected ADP Employment Change report. Flight to safety was the force that drove prices across the curve higher on Thursday as concerns about certain European countries ability to repay debt drove investors to US Treasuries. The week ended Friday with prices higher again as non-farm payrolls were down 20,000 vs. the expectation of an increase of 15,000. The unemployment rate was reported lower than expectations at 9.7% vs. the estimate of 10.0%. Major economic reports (and related consensus forecasts) for next week include: Tuesday: December Wholesale Inventories (0.50%); Wednesday: December Trade Balance (-$35.5B), January Monthly Budget Statement (-$50.0B); Thursday: January Advance Retail Sales (0.30%, 0.50% Ex-Autos), December Business Inventories (0.30%); Friday: U of M Preliminary Consumer Confidence (75.0).

US Stocks:

Weekly Index Performance

DJIA	10012.23 (-55.10,-0.5%)
S&P 500	1066.19 (-7.68,-0.7%)
S&P MidCap	697.09 (-5.71,-0.8%)
S&P Small Cap	315.33 (-5.81,-1.8%)
NASDAQ Comp	2141.12 (-6.23,-0.3%)
Russell 2000	592.98 (-9.06,-1.5%)

Market Indicators

Strong Sectors: Materials, Technology, Energy
Weak Sectors: Utilities, Health Care, Financials
NYSE Advance/Decline: 1,109 / 2,061
NYSE New Highs/New Lows: 190 / 35
AAII Bulls/Bears: 29.2% / 43.1%

US stocks fell for a fourth consecutive week after early week gains were undone by mounting sovereign debt worries in Europe and lackluster employment data. Gains in ISM Manufacturing, personal spending and pending home sales along with positive earnings all supported equities early in the week. **UPS** reported in-line results and forecasted improving economic conditions in 2010. **Whirlpool** reported strong quarterly results and cited expectations for strong growth from India and China along with modest US growth in boosting its 2010 outlook. **ExxonMobil** benefitted from strong performance in its upstream unit in posting earnings ahead of forecasts. Sovereign debt worries, specifically Greece, led to steep losses on Thursday. Higher unemployment claims and greater than expected January job losses further weighed on stocks. **Pfizer** shares fell on disappointing 2010 guidance. **Walgreen** shares sank on lower January sales. **Cisco** reported a strong quarter though shares were not rewarded given the broad market sell-off. **Toyota** continued to struggle containing the fallout from its massive recall. January retail sales were generally stronger than expected. **Gap** and **Abercrombie** were among those with strong sales. **Target's** sales disappointed. **MasterCard** plunged as higher costs dragged down results. The New York Attorney General charged former **Bank** of **America** CEO Lewis with civil fraud related to the **Merrill Lynch** acquisition. Looking ahead, few economic releases are scheduled for the coming week though earnings will continue to pour in. So far during this earnings season reported results have been very strong. With roughly 60% of the S&P 500 having reported, positive earnings surprises are outpacing negative surprises by well over a 3 to 1 margin. Equities continue to look attractive relative to other assets classes though gains could be muted until macro worries subside.