TALKING POINTS
A Recap of March 2007

FIRST Trust ADVISORS L.P.

The Economy

The most recent Blue Chip Economic Indicators survey produced a consensus estimate calling for real GDP growth of 2.5% in 2007, according to GARP.com. Real GDP growth was 3.3% in 2006, according to the Bureau of Economic Analysis. Such tempering of economic activity should not alarm investors since it is clearly by design. The goal is to moderate growth in order to reduce inflationary pressures. We witnessed this same maneuver back in 1994-1995. The Fed raised the federal funds target rate 300 basis points from 3.00% in February 1994 to 6.00% in February 1995. U.S. GDP growth subsequently declined from 4.0% in '94 to 2.5% in '95, according to BEA.gov. GDP growth accelerated to 3.7% in 1996 and remained at or above that level through 2000. Over that same span, the core inflation rate declined from 3.0% in 1995 to as low as 2.1% in 1999, according to BEA.gov.

Indicator	Latest	Prior	Direction
Consumer Confidence	**107.2** (Mar)	112.5 (Feb)	⇩
Crude Oil (Mo.-End)	**$65.87** (Mar)	$61.79 (Feb)	⇧
Factory Orders	**1.0%** (Feb)	-5.6% (Jan)	⇧
ISM Manufacturing	**50.9** (Mar)	52.3 (Feb)	⇩
ISM Non-Manufacturing	**52.4** (Mar)	54.3 (Feb)	⇩
Personal Income	**0.6%** (Feb)	1.0% (Jan)	⇩
Personal Spending	**0.6%** (Feb)	0.5% (Jan)	⇧
Pending Home Sales	**0.7%** (Feb)	-4.1% (Jan)	⇧
Construction Spending	**0.3%** (Feb)	-0.8% (Jan)	⇧
Total Vehicle Sales	**16.3M**(Mar)	16.6M (Feb)	⇩

The Stock Market

The three major indices were all up in March with the DJIA, S&P 500 and Nasdaq Composite returning 0.8%, 1.1% and 0.3%, respectively. Small-cap stocks, as measured by the Russell 2000 Index, gained 1.1%. Some of the top performing S&P 500 industry groups in March were as follows: Diversified Metals & Mining (+11.5%); Oil & Gas Refining & Marketing (+11.4%); Steel (+7.6%); Agricultural Products (+6.7%); Construction & Engineering (+6.2%); Food Retail (+5.8%); Integrated Oil & Gas (+5.8%); and Gas Utilities (+5.6%). The top performing S&P sector was Energy (+6.1%). In March, the dividend-payers (386) in the S&P 500 (equal weight) posted a total return of 0.54%, vs. 1.19% for the non-payers (114), according to Standard & Poor's. Year-to-date through March, the payers gained 2.65%, vs. 2.98% for the non-payers. For the 12-month period ended March 2007, payers gained 13.57%, vs. 7.11% for the non-payers. The number of dividend increases (S&P 500) year-to-date totaled 102, lagging the 109 and 110 increases registered over the same period in 2006 and 2005. The dividend yield on the S&P 500 was 1.87% at the end of March. The Q1'07 edition of the Investment Manager Outlook, a survey of investment managers conducted by Russell Investment Group, says that money managers are most bullish on large-cap growth stocks moving forward. Seventy-eight percent of those managers polled are bullish, up from 77% in Q406. Non-U.S. developed markets and mid-cap growth stocks tied for second with 60% of managers claiming to be bullish. The sectors that managers are most bullish on are health care (73%) and technology (72%). The next closest is financials at 48%. The number one concern of managers is inflation, followed closely by geopolitical instability.

Indicator	Details	Direction
U.S. Dollar (U.S. Trade- Weighted Basket)	**-1.06%** (Mar) -1.08% (Y-T-D) $ was down 5.25% in '06	⇩
AAII Sentiment Index	**42.7% Bullish** (3/30) 36.6% Bullish (2/28)	⇧
Short Interest (NYSE)	Mar: **10.50B** (+9.4%) Feb: 9.60B (-0.8%)	⇧
Margin Debt (NYSE)	Feb: **$295.9B** (+3.6%) Jan: $285.6B (+3.7%) *Margin debt at record high*	⇧

The Bond Market

Index (Source: Lehman Bros.)	Mar.	12-Mo.
U.S. Treasury: Intermediate	0.24%	5.63%
GNMA 30 Year	0.21%	6.24%
Municipal Bond (22+)	-0.67%	6.81%
U.S. Aggregate	0.00%	6.90%
Intermediate Corporate	-0.03%	6.21%
U.S. Corporate High Yield	0.11%	11.58%
Global Aggregate	0.24%	8.12%
Global Emerging Markets	0.80%	11.31%

The yield on the 10-Yr. T-Note rose 7 basis points in March closing at 4.64% – 21 basis points lower than on March 31, 2006. Speculative-grade debt continued to outperform investment grade debt through the first quarter of 2007. Y-T-D through March, the top two performing debt groups were U.S. Corporate High Yield and Emerging Markets, up 2.64% and 1.95%, respectively, as measured by Lehman Bros. indices. In his testimony on Capitol Hill at the end of March, Fed Chairman Ben Bernanke insinuated that he would prefer to reduce inflationary pressures without the use of additional rate hikes. He contends that intermediate and long-term rates are still too low, and we concur. The core rate of inflation is running at 2.4%, which is above the Fed's 1% to 2% comfort zone. Bernanke, in our opinion, will raise rates in the second-half of 2007 if the yield curve doesn't steepen.

Key Rates as of March 30th

Fed Funds	5.25%
2-Yr. T-Note	4.58%
10-Yr. T-Note	4.64%
30-Yr. Mortgage	6.08%
Bond Buyer 40	4.61%

Key Yield Spread

The spread between the Merrill Lynch High Yield Master II Index and the 10-Yr. T-Note was 311 basis points on Mar. 30. The yield on the index was 7.75%. The spread was 334 basis points on Mar. 31, 2006, when the yield was 8.19%.

2007 Debt Issuance through February

(Source: Thomson Financial)

Debt Category	$ Amount	% change over '06
Corporate	$162.3 Billion	+4.1%
Convertible	$9.6 Billion	+24.7%
Asset-Backed	$145.8 Billion	-16.5%
Municipal	$62.7 Billion	+50.4%

The Investment Climate

Net cash inflows to equity funds totaled $25.6 billion in February, down from $29.2 billion in January, according to the Investment Company Institute. Bond funds reported inflows totaling $16.0 billion, up from $15.1 billion in January. Money funds reported inflows totaling $34.4 billion, vs. outflows totaling $10.8 billion in January. Y-T-D through February, inflows to equity funds totaled $54.8 billion, vs. $31.1 billion for bond funds.