First Trust TALKING POINTS

A Recap of March 2008

The Economy

The consensus forecast from the Blue Chip Economic Indicators newsletter released in March '08 called for 1.5% real GDP growth for the U.S. in 2008, down from 1.7% the previous month. The Fed cut the federal funds target rate from 3.00% to 2.25% on March 18. Chairman Bernanke has commented that the Fed is prepared to do more if warranted. Nonfarm payrolls fell 80,000 in March and 76,000 in both January and February. Prior to Q1'08, nonfarm payrolls had not registered a down month since August 2003, according to data from Bloomberg.

Consumer Confidence	**64.5** (Mar)	75.0 (Feb)	Down
Crude Oil (Mo.-End)	**$101.58** (Mar)	$101.84 (Feb)	Down
Personal Spending	**0.2%** (Feb)	0.4% (Jan)	Up
ISM Manufacturing	**48.6** (Mar)	48.3 (Feb)	Up
ISM Non-Manufacturing	**49.6** (Mar)	49.3 (Feb)	Up
Gold (Mo.-End)	**$916.20** (Mar)	$975.00 (Feb)	Down
Natural Gas (Mo.-End)	**$10.10** (Mar)	$9.37 (Feb)	Up
Construction Spending	**-0.3%** (Feb)	-1.7% (Jan)	Down
New Home Sales	**590,000** (Feb)	601,000 (Jan)	Down
Existing Home Sales	**5.03M** (Feb)	4.89M (Jan)	Up

The Stock Market

Index (Source: Bloomberg)	**Mar**	**Y-T-D**
S&P 500	-0.43%	-9.44%
DJIA	0.11%	-7.00%
Nasdaq 100	2.12%	-14.42%
S&P 400	-1.03%	-8.85%
Russell 2000	0.42%	-9.90%
MSCI World (ex U.S.)	-1.36%	-8.54%
MSCI Emerging Markets	-5.17%	-10.99%

Subsectors (Source: S&P)	**Mar**	**Y-T-D**
Health Care Facilities	17.7%	11.4%
Footwear	13.0%	5.9%
Retail REITs	11.0%	4.0%
Industrial Conglomerates	9.9%	-1.3%
Homebuilding	7.4%	13.8%

U.S. stocks were mixed for the month, while foreign stocks were down. In the U.S., 58 out of the 130 subsectors that comprise the S&P 500 posted gains, up from 36 last month. The top sector was Telecom Services up 4.9%. In March, the dividend-payers (387) in the S&P 500 (equal weight) posted a total return of -0.96%, vs. -3.26% for the non-payers (113), according to Standard & Poor's. Year-to-date, the payers declined 7.96%, vs. a loss of 11.24% for the non-payers. For the 12-month period ended March '08, payers fell 9.68%, vs. a decline of 14.47% for the non-payers. The number of dividend increases (S&P 500) year-to-date totaled 92. That lagged the 102 increases over the same period in 2007. The Q1'08 edition of the *Investment Manager Outlook*, a survey of investment managers conducted by Russell Investment Group, says that money managers continue to be most bullish on large-cap growth stocks over all other asset classes. Sixty-four percent of those managers polled are bullish, down from 75% in Q4'07. Non-U.S. developed markets came in second at 54% (61% in Q4) followed by mid-cap growth stocks at 49% (60% in Q4). The top sectors are health care at 71% (73% in Q4) and technology at 63% (78% in Q4).

U.S. Dollar (U.S. Trade-Weighted Basket)	**-0.8%** (Mar); -4.1% (Y-T-D)	$ was down 10.0% in '07	Down
CBOE Total Equity Options (# of contracts in millions)	**46.4** (3/31); 40.3 (2/29)	*Record 1/08: 55.1 million*	Up
Short Interest (NYSE)	Mar 14: **16.01B** (+11.2%); Feb 15: 14.40B (+4.0%)	*Record 3/08: 16.01 billion*	Up
S&P 500 P-E Ratio (Trailing 12-mo. earnings)	**18.34** (3/31); 18.56 (2/29)	*Avg. P-E is 20 over past 25 years*	Down

The Bond Market

Index (Source: Lehman)	**MAR**	**Y-T-D**	**Yield**
U.S. Treasury: Intermediate	0.65%	4.55%	2.17%
GNMA 30 Year	0.31%	2.48%	5.21%
Municipal Bond (22+)	3.91%	-4.14%	5.38%
U.S. Aggregate	0.34%	2.17%	4.51%
Intermediate Corporate	-1.30%	0.78%	5.56%
U.S. Corporate High Yield	-0.34%	-3.02%	10.86%
Global Aggregate	2.04%	6.63%	3.87%
Global Emerging Markets	0.35%	1.48%	6.71%

The yield on the 10-Yr. T-Note fell 10 basis points in March closing at 3.41% – 124 basis points below the close on March 30, 2007. As the numbers in the chart indicate, municipal bonds enjoyed a nice pop in March, but high yield corporates did not. The combination of more moderate issuance and a better than 5% tax-free yield on longer maturities attracted investors, particularly on the retail side, according to Citigroup Global Markets. The announcement by S&P that the end to the subprime writedowns was in sight and that banks could be writing down losses in excess of what the actual losses will be may have helped boost sentiment. Municipal bond prices have been depressed to a great extent due to the the uncertainty surrounding the creditworthiness of the bond insurers.

Key Rates as of March 31

Fed Funds	2.25%
2-Yr. T-Note	1.59%
10-Yr. T-Note	3.41%
30-Yr. Mortgage	5.78%
Bond Buyer 40	5.18%

Key Yield Spread

The spread between the Merrill Lynch High Yield Master II Index and the 10-Yr. T-Note was 740 basis points on 3/31/08. It was 315 on 3/31/07 and 696 on 2/29/08. *(Source: Bloomberg)*

2008 Debt Issuance through February
(Source: Thomson Financial)

Debt Category	$ Amount	% change over '07
Corporate	$148.0 Billion	-8.8%
Convertible	$4.6 Billion	-55.8%
Asset-Backed	$35.9 Billion	-79.7%
Municipal	$40.9 Billion	-35.3%

The Investment Climate

Net cash inflows into equity funds totaled $9.5 billion in 2/08, vs. outflows totaling $44.9 billion in 1/08, according to the Investment Company Institute. Bond funds reported inflows totaling $14.9 billion, down from inflows totaling $24.2 billion in 1/08. Money funds reported inflows totaling $92.2 billion, down from $160.4 billion in 1/08. Y-T-D thru 2/08, equity fund outflows totaled $35.4B, vs. bond fund inflows of $39.1B.