First Trust TALKING POINTS

A Recap of June 2008

The Economy

The consensus forecast from the Blue Chip Economic Indicators newsletter released in June '08 called for 1.5% real GDP growth for the U.S. in Q3'08, down from last month's 1.7% projection. Its GDP forecast for Q4'08 is 1.2%, down from 1.5% a month ago. Despite the fact that growth projections were ratcheted down, 53.5% of the economists surveyed do not believe the U.S. is in a recession or will enter one at any point in 2008, up from 40% last month. The 46% surge in the price of crude oil in the first half of 2008 helped push commodity prices higher and stocks into bear territory.

Consumer Confidence	**50.4** (Jun)	57.2 (May)	Down
Crude Oil (Mo.-End)	**$140.00** (Jun)	$127.35 (May)	Up
Personal Spending	**0.8%** (May)	0.2% (Apr)	Up
ISM Manufacturing	**50.2** (Jun)	49.6 (May)	Up
ISM Non-Manufacturing	**48.2** (Jun)	51.7 (May)	Down
Gold (Mo.-End)	**$928.30** (Jun)	$887.30 (May)	Up
Natural Gas (Mo.-End)	**$13.35** (Jun)	$11.70 (May)	Up
Construction Spending	**-0.4%** (May)	-0.4% (Apr)	Down
New Home Sales	**512,000** (May)	526,000 (Apr)	Down
Existing Home Sales	**4.99M** (May)	4.89M (Apr)	Up

The Stock Market

Index (Source: Bloomberg)	**June**	**Y-T-D**
S&P 500	-8.42%	-13.11%
DJIA	-10.03%	-13.26%
Nasdaq 100	-9.61%	-11.68%
S&P 400	-7.03%	-7.34%
Russell 2000	-7.69%	-16.18%
MSCI World (ex U.S.)	-7.73%	-8.26%
MSCI Emerging Markets	-10.01%	4.86%

Subsectors (Source: S&P)	**June**	**Y-T-D**
Coal & Consumable Fuels	17.1%	49.0%
Gold	9.7%	15.1%
Gas Utilities	9.7%	25.8%
Oil & Gas Storage & Trans.	7.4%	25.7%
Oil & Gas Equip. & Services	6.1%	29.9%

U.S. and foreign stocks experienced a strong sell-off in June. In the U.S., 10 out of the 130 subsectors that comprise the S&P 500 posted gains, down from 86 last month. The only sector in positive territory was Energy up 2.2%. In June, the dividend-payers (386) in the S&P 500 (equal weight) posted a total return of -9.77%, vs. -10.49% for the non-payers (114), according to Standard & Poor's. Year-to-date, the payers declined 13.39%, vs. a loss of 11.27% for the non-payers. For the 12-month period ended June '08, payers fell 17.58%, vs. a decline of 19.70% for the non-payers. The number of dividend increases (S&P 500) year-to-date totaled 158. That lagged the 165 increases over the same period in 2007. The dividend yield on the index closed June at 2.26%. At the midpoint of 2008, S&P is reporting that earnings estimates for all of 2008 favor growth stocks over value stocks, according to *BusinessWeek*. With respect to the S&P 500 Index, growth stocks are expected to post a 13% rise in 2008 earnings per share (EPS), vs. a 2% rise for the value stocks in the index. With respect to the S&P Midcap 400 Index, growth stocks are expected to post a 23% rise in 2008 EPS, vs. a 7% rise for the value stocks in the index. With respect to the S&P Smallcap 600 Index, growth stocks are expected to post a 14% rise in 2008 EPS, vs. a 3% rise for the value stocks in the index.

U.S. Dollar (U.S. Trade-Weighted Basket): **0.4%** (June); -3.1% (Y-T-D); $ was down 10.0% in '07 — Up

CBOE Total Equity Options (# of contracts in millions): **54.4** (6/30); 48.6 (5/30); *Record 1/08: 55.1 million* — Up

Short Interest (NYSE): Jun 13: **17.65B** (+10.31%); May 15: 16.00B (+2.37%); *Record 6/08: 17.65 billion* — Up

S&P 500 P-E Ratio (Trailing 12-mo. earnings): **20.53** (6/30); 22.49 (5/30); *Avg. P-E is 20 over past 25 years* — Down

The Bond Market

Index (Source: Lehman)	**June**	**Y-T-D**	**Yield**
U.S. Treasury: Intermediate	0.55%	2.38%	3.06%
GNMA 30 Year	0.00%	0.68%	5.63%
Municipal Bond (22+)	-1.94%	-2.34%	5.30%
U.S. Aggregate	-0.08%	1.13%	5.07%
Intermediate Corporate	-0.67%	-0.05%	6.12%
U.S. Corporate High Yield	-2.80%	-1.31%	10.89%
Global Aggregate	0.09%	3.53%	4.55%
Global Emerging Markets	-1.78%	2.50%	7.42%

The yield on the 10-Yr. T-Note fell 9 basis points in June closing at 3.97% – 106 basis points below the close on June 29, '07. What a difference a year can make. High yield corporate bond sales declined 69% to $29.1 billion in the first half of 2008, according to Thomson Reuters. The average for the first half of 2007 was approximately $16.3 billion per month. The Federal Reserve kept the federal funds target rate at 2.00% in June. The futures market had priced in an August Fed rate hike midway through June. The yield on the 10-year T-Note rose from 4.06% at the end of May to 4.27% on June 16. The yield, however, dropped back to just below 4.00% by the close of June. While there may be some light at the end of the tunnel, financial institutions have not finished writing down mortgage-related losses. The Fed may be forced to keep rates low until the bleeding has stopped.

Key Rates as of June 30

Fed Funds	2.00%
2-Yr. T-Note	2.62%
10-Yr. T-Note	3.97%
30-Yr. Mortgage	6.38%
Bond Buyer 40	5.17%

Key Yield Spread

The spread between the Merrill Lynch High Yield Master II Index and the 10-Yr. T-Note was 677 basis points on 6/30/08. It was 315 on 6/30/07 and 606 on 5/30/08. *(Source: Bloomberg)*

2008 Debt Issuance through May
(Source: Thomson Financial)

Debt Category	$ Amount	% change over '07
Corporate	$486.1 Billion	-7.8%
Convertible	$23.3 Billion	-45.0%
Asset-Backed	$102.7 Billion	-80.4%
Municipal	$178.1 Billion	-3.4%

The Investment Climate

Net cash inflows into equity funds totaled $15.9 billion in 5/08, up from $12.2 billion in 4/08, according to the Investment Company Institute. Bond funds took in $17.6 billion, up from $16.8 billion in 4/08. Money Market funds reported inflows totaling $47.1 billion, vs.outflows totaling $48.1 billion in 4/08.Y-T-D thru 5/08, equity fund outflows totaled $15.6B, vs. bond fund inflows of $79.9B and MMF inflows of $314.1B.