First Trust TALKING POINTS

A Recap of February 2009

The Economy

The Blue Chip Economic Indicators survey in February called for GDP in the U.S. to decline by 1.9% in 2009, a bit gloomier than the -1.6% estimate it offered in January, according to Reuters. The good news is economists are predicting positive growth in Q3'09 (+0.8%) and Q4'09 (+2.0%). GDP was revised significantly lower for Q4'08 (-6.2% from -3.8%). Despite the ongoing deterioration of the residential and commercial real estate markets, surging unemployment may be the Obama Administration's biggest challenge. Hopefully, the $787 billion stimulus plan will create as well as save jobs.

Consumer Confidence	**25.0** (Feb)	37.7 (Jan)	Down
Crude Oil (Mo.-End)	**$44.76** (Feb)	$41.68 (Jan)	Up
Personal Spending	**0.6%** (Jan)	-1.0% (Dec)	Up
ISM Manufacturing	**35.8** (Feb)	35.6 (Jan)	Up
ISM Non-Manufacturing	**41.6** (Feb)	42.9 (Jan)	Down
Gold (Mo.-End)	**$942.50** (Feb)	$927.30 (Jan)	Up
Natural Gas (Mo.-End)	**$4.20** (Feb)	$4.42 (Jan)	Down
Factory Orders	**-1.9%** (Jan)	-3.9% (Dec)	Down
New Home Sales	**309,000** (Jan)	331,000 (Dec)	Down
Existing Home Sales	**4.49M** (Jan)	4.74M (Dec)	Down

The Stock Market

Indices (Source: Bloomberg)	**Feb.**	**12-mo.**
S&P 500	-10.6%	-43.3%
DJIA	-11.2%	-40.5%
Nasdaq 100	-5.2%	-35.6%
S&P 400	-9.7%	-42.0%
Russell 2000	-12.1%	-42.4%
MSCI World (ex U.S.) (USD)	-10.1%	-50.1%
MSCI Emerging Markets (USD)	-5.7%	-56.3%

Growth/Value (Source: Bloomberg)	**Feb.**	**12-mo.**
S&P 500 Citigroup Growth	-8.5%	-37.4%
S&P 500 Citigroup Value	-13.0%	-49.2%
S&P Midcap 400/Citigroup Growth	-8.1%	-41.5%
S&P Midcap 400/Citigroup Value	-11.3%	-42.4%
Russell 2000 Growth	-10.4%	-42.0%
Russell 2000 Value	-13.9%	-43.0%

Fourteen out of the 134 subsectors that comprise the S&P 500 posted a gain in February, down from 27 last month. In February, the dividend-payers (365) in the S&P 500 (equal weight) posted a total return of -20.42%, vs. -12.52% for the non-payers (135), according to Standard & Poor's. Year-to-date, the payers declined 27.90%, vs. a loss of 15.49% for the non-payers. For the 12-month period ended February '09, payers fell 52.69%, vs. a decline of 49.67% for the non-payers. The number of dividend increases so far in 2009 totaled 47. That significantly lagged the 77 increases registered at this point in 2008. The number of companies that decreased their dividend totaled 28, up from five a year ago. The number of companies that suspended their dividend totaled six, up from four a year ago. The S&P 500 was trading at more than 20% below its 40-week average at the end of February, which indicates it may be poised for a snapback rally, according to Nick Kalivas, an equity futures analyst at MF Global Inc. Stocks have been trading this way since October 10, 2008, thanks to an 18% plunge in the S&P 500 - the worst week in 75 years, according to Bloomberg. This has only happened on three other occasions in the past 25 years and the results were as follows: Q4'87 (multi-year bull market); Q3'01 (three-month rally); and Q3'02 (multi-year bull market).

U.S. Dollar (U.S. Trade-Weighted Basket)	**3.1%** (Feb); 7.0% (Y-T-D); $ was up 7.8% in '08	Up
CBOE Total Equity Options (# of contracts in millions)	Feb: **43.7** (-6.82%); Jan: 46.9 (+24.4%); *Record 7/08: 67.2 million*	Down
Short Interest (NYSE)	Feb 13: **13.80B** (+3.14%); Jan 15: 13.38B (-2.41%); *Record 7/08: 18.61 billion shares*	Up
VIX Volatility Index (S&P 500)	**46.35** (2/27); 44.84 (1/30); *Record 11/20/08: 80.86*	Up

The Bond Market

Index (Source: Barclays)	**Feb.**	**12-mo.**	**Yield**
U.S. Treasury: Intermediate	-0.42%	5.18%	1.73%
GNMA 30 Year	0.60%	6.12%	4.52%
Municipal Bond (22+)	2.73%	-0.61%	5.95%
U.S. Aggregate	-0.38%	2.06%	4.59%
Intermediate Corporate	-1.61%	-6.73%	7.56%
U.S. Corporate High Yield	-3.10%	-22.07%	19.04%
Global Aggregate	-2.23%	-5.17%	3.66%
Global Emerging Markets	-1.68%	-17.49%	10.55%

The yield on the 10-Yr. T-Bond rose 17 basis points in February closing at 3.01% – 66 basis points below its close (3.67%) on 2/28/08. All major debt groups were down with the exception of municipal bonds and GNMAs. It should be noted that GNMAs nudged higher, while Intermediate Treasuries posted a small decline. High Yields gave back about half of their gain in January. While they look priced to go (yielding 19%) they still have some headwind in the form of rising defaults. The U.S. speculative-grade default rate stood at 5.7% in February, up from 5.2% in January. Moody's is now forecasting the rate will rise to 13.8% by December '09. The one area of the bond market where new supply is flowing is investrment grade corporates. Corporations had issued $132.8 billion of new debt through the third week of February, up 22% over a year ago.

Key Rates as of February 27

Fed Funds	0-0.25%
2-Yr. T-Note	0.97%
10-Yr. T-Bond	3.01%
30-Yr. Mortgage	5.25%
Bond Buyer 40	5.57%

Key Yield Spread

The spread between the Merrill Lynch High Yield Master II Index and the 10-Yr. T-Bond was 1,621 basis points on 2/27/09, up from 1,506 on 1/30/08. It was 669 on 2/28/08. *(Source: Bloomberg)*

2009 Debt Issuance thru 1/09

(Source: Thomson Financial)

Debt Category	$ Amount	% change over '08
Corporate	$69.3 Billion	-32.0%
Convertible	$500 Million	-87.7%
Asset-Backed	$3.7 Billion	-86.3%
Municipal	$22.9 Billion	-13.3%

The Investment Climate

Net cash inflows to equity funds totaled $9.0 billion in 1/09, vs. outflows totaling $20.4 billion in 12/08, according to the Investment Company Institute. Bond funds had inflows totaling $16.7 billion, vs. outflows totaling $7.0 billion in 12/08. Money Market funds had inflows totaling $59.5 billion, vs. inflows totaling $109.4 billion in 12/08. In 2008, equity fund outflows totaled $234.3B, vs. $31.1B in bond fund inflows & $636.4B in MMF inflows.