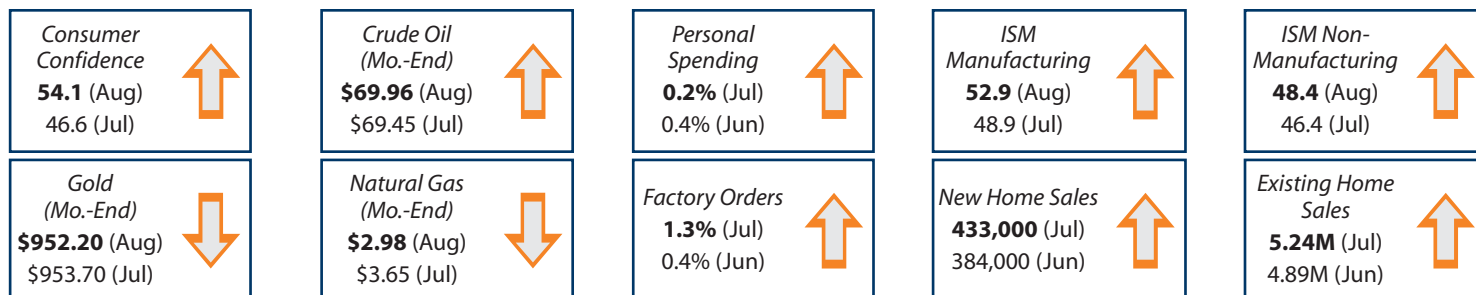


The Economy

In its August survey, the Blue Chip Economic Indicators found that nearly 67% of the economists polled believe the U.S. economy will experience a U-shaped recovery, while the remaining respondents were evenly split between V-shaped and W-shaped recoveries, according to Reuters. Brian Wesbury, Chief Economist at First Trust Advisors L.P., has aggressively touted a V-shaped recovery since early in 2009. Those interested in listening to Brian's thoughts on this topic can access them at ftportfolios.com. Click on Brian's photo and proceed to First Trust Video Links.



The Stock Market

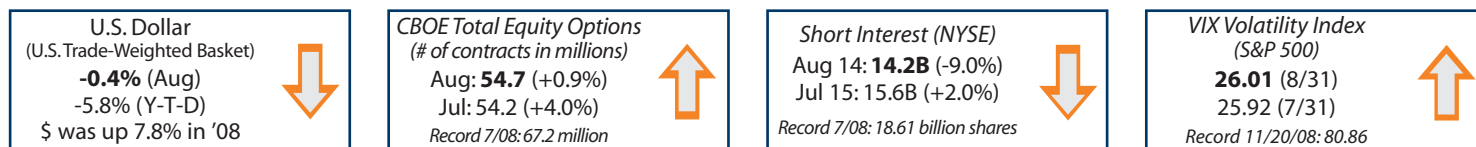
Indices (Source: Bloomberg)

	Aug.	12-mo.
S&P 500	3.6%	-18.3%
DJIA	4.0%	-14.8%
Nasdaq 100	1.5%	-12.6%
S&P 400	4.4%	-18.2%
Russell 2000	2.9%	-21.3%
MSCI World (ex U.S.) (USD)	4.8%	-15.3%
MSCI Emerging Markets (USD)	-0.4%	-10.3%

Growth/Value (Source: Bloomberg)

	Aug.	12-mo.
S&P 500 Citigroup Growth	2.0%	-16.1%
S&P 500 Citigroup Value	5.4%	-20.5%
S&P Midcap 400/Citigroup Growth	3.3%	-18.9%
S&P Midcap 400/Citigroup Value	5.4%	-17.5%
Russell 2000 Growth	1.0%	-22.0%
Russell 2000 Value	4.7%	-20.7%

One hundred and two out of the 134 subsectors that comprise the S&P 500 posted a gain in August, down from 125 last month. In August, the dividend-payers (359) in the S&P 500 (equal weight) posted a total return of 5.33%, vs. 7.03% for the non-payers (141), according to Standard & Poor's. Year-to-date, the payers are up 12.59%, vs. a gain of 46.19% for the non-payers. For the 12-month period ended August '09, payers were off 23.96%, vs. a decline of 13.08% for the non-payers. The number of dividend increases year-to-date totaled 100. That significantly lagged the 189 increases registered at this point in 2008. The number of companies that decreased their dividend totaled 61, up from 19 a year ago. Ten companies have suspended their dividend payments, up from seven a year ago. One observation offered by those investors who believe the U.S. stock market is simply experiencing a bear market rally is we saw similar rallies during the Great Depression. The current rally, however, is now longer and more substantial than any posted during the 1929 to 1932 crash, according to Bespoke Investment Group. The biggest rally in the S&P 500 back then was 46.77% over 148 days. The current rally is 51.68% over 165 calendar days. Since 3/9/09, the top performing sector in the S&P 500 has been Financials (+137.5%). Telecom. Services (+23.2%) finished 10th out of 10.



The Bond Market

Index (Source: Barclays)

	August	12-mo.	Yield
U.S. Treasury: Intermediate	0.70%	5.70%	1.90%
GNMA 30 Year	0.65%	9.03%	4.24%
Municipal Bond (22+)	4.32%	3.34%	5.38%
U.S. Aggregate	1.04%	7.94%	3.74%
Intermediate Corporate	1.70%	9.10%	4.65%
U.S. Corporate High Yield	1.86%	6.52%	11.32%
Global Aggregate	1.76%	8.52%	3.09%
Global Emerging Markets	3.13%	5.65%	7.15%

The yield on the 10-Yr. T-Bond fell 8 basis points in August closing at 3.40% – 41 basis points below its close (3.81%) on 8/08. Municipal bonds had the best showing followed by speculative-grade debt, both here and abroad. Municipal bond issuance is down in 2009, while demand for tax-frees has spiked. Municipal issuance totaled \$222.1 billion in the first seven months of this year, down 17.3% from the same span in 2008, according to Thomson Reuters. Refinancings are down 37.5% to date. Build America Bonds, taxable issues sold by municipalities, have accounted for 14% of municipal sales in the last four months, according to *The Bond Buyer*. Municipal bond funds have taken in a record \$41.8 billion so far this year, according to AMG Data Services. Some muni closed-end fund groups were up 5%-plus in August.

Key Rates as of August 31		Key Yield Spread		2009 Debt Issuance thru 7/09		
				(Source: Thomson Reuters)		
Fed Funds	0-0.25%	The spread between the Merrill Lynch High Yield Master II Index and the 10-Yr. T-Bond was 812 basis points on 8/31/09, down from 830 on 7/31/09. It was 757 on 8/29/08. (Source: Bloomberg)		Debt Category	\$ Amount	% change over '08
2-Yr. T-Note	0.97%			Treasury	\$1.05 Trillion	+112.2%
10-Yr. T-Bond	3.40%			Corporate	\$514.6 Billion	-12.0%
30-Yr. Mortgage	5.26%			Convertible	\$16.9 Billion	-44.8%
Bond Buyer 40	5.33%			Asset-Backed	\$82.7 Billion	-32.7%
(Source: Bloomberg)				Municipal	\$222.1 Billion	-17.3%

The Investment Climate

Net cash inflows to equity funds totaled \$9.8 billion in 7/09, vs. inflows totaling \$12.2 billion in 6/09, according to the Investment Company Institute. Bond funds had inflows totaling \$35.1 billion, vs. inflows totaling \$29.0 billion in 6/09. Money Market funds had outflows totaling \$47.1 billion, vs. outflows totaling \$116.4 billion in 6/09. Y-T-D thru July, equity fund outflows totaled \$12.1B, vs. \$177.6B in bond fund inflows & \$236.2B in MMF outflows.

Index	10-Yr. High Value	Date	10-Yr. Low Value	Date	Month-End Value	% Off High Value	Month-End Yield
S&P 500	1565.15	10/09/07	676.53	03/09/09	1020.62	-34.79%	2.57%
S&P 500/Citigroup Growth	953.77	03/27/00	363.99	03/09/09	520.91	-45.38%	1.72%
S&P 500/Citigroup Value	836.19	07/13/07	307.16	03/09/09	492.68	-41.08%	3.51%
S&P 400	926.23	07/13/07	369.5	10/18/99	654.54	-29.33%	1.67%
S&P 400/Citigroup Growth	383.7	06/05/08	162.27	10/09/02	281.01	-26.76%	0.71%
S&P 400/Citigroup Value	361.18	06/04/07	122.85	10/18/99	239.58	-33.67%	2.62%
S&P 100	832.65	03/24/00	322.13	03/09/09	474.73	-42.99%	2.71%
DJIA	14164.53	10/09/07	6547.05	03/09/09	9496.28	-32.96%	3.02%
NASDAQ 100	4704.73	03/27/00	804.64	10/07/02	1625.19	-65.46%	0.61%
Russell 2000	855.77	07/13/07	327.04	10/09/02	572.07	-33.15%	1.59%
Russell 2000 Growth	498.17	03/27/00	169.69	10/09/02	310.04	-37.76%	0.63%
Russell 2000 Value	1276.63	06/04/07	463.26	10/29/99	801.54	-37.21%	2.51%
Russell 3000	907.58	10/09/07	389.61	03/09/09	595.86	-34.35%	2.38%
MSCI World x USA (USD)	2389.57	10/31/07	809.32	03/12/03	1506.64	-36.95%	N/A
MSCI Emerging Markets (USD)	1338.49	10/29/07	245.64	09/21/01	839.46	-37.28%	N/A
Bovespa/Brazil (USD)	73516.81	05/20/08	8370.88	10/16/02	56488.981	-23.16%	3.46%
RTS/Russia (USD)	2487.92	05/19/08	76.15	09/21/99	1066.53	-57.13%	1.63%
Bombay SE 500/India (USD)	8882.28	01/07/08	792.18	09/21/01	6044.61	-31.95%	1.05%
Shanghai Composite/China (USD)	6092.057	10/16/07	1011.499	07/11/05	2667.745	-56.21%	1.52%
Hang Seng (USD)	31638.22	10/30/07	8409.01	04/25/03	19724.19	-37.66%	3.07%
MSCI Euro (USD)	1590.66	03/06/00	539.93	03/09/09	821.57	-48.35%	4.16%
S&P Consumer Discretionary	318.54	06/04/07	125.72	03/09/09	205.86	-35.37%	3.03%
S&P Consumer Staples	306.61	12/10/07	150.55	03/14/00	254.89	-16.87%	3.09%
S&P Energy	668.81	05/20/08	163.83	07/23/02	391.31	-41.49%	2.24%
S&P Utilities	223.91	12/10/07	77.27	10/09/02	147.38	-34.18%	4.51%
S&P Financials	509.55	02/20/07	81.74	03/06/09	197.37	-61.27%	2.93%
S&P Banks	414.38	02/20/07	49.02	03/05/09	127.27	-69.29%	3.44%
FTSE NAREIT Equity REITs	676.54	02/07/07	163.57	03/06/09	302.32	-55.31%	5.79%
S&P Health Care	444.98	12/28/00	252.84	03/05/09	330.78	-25.66%	2.16%
S&P Pharmaceuticals	496.83	12/28/00	214.5	03/03/09	275.89	-44.47%	3.70%
NYSE Arca Biotechnology	937.35	08/26/09	242.64	10/18/99	925.52	-1.26%	1.72%
S&P Information Technology	988.49	03/27/00	172.88	10/09/02	321.3	-67.50%	0.98%
Philadelphia Semiconductor	1332.73	03/10/00	171.32	11/20/08	306.18	-77.03%	1.43%
S&P Telecom Services	339.28	11/29/99	79	09/30/02	105.32	-68.96%	5.91%
S&P Industrials	381.16	10/09/07	132.83	03/09/09	217.62	-42.91%	3.27%
S&P Materials	285.91	05/16/08	102.55	10/09/02	178.47	-37.58%	2.45%
Philadelphia Gold & Silver	206.37	03/14/08	41.85	11/17/00	147.04	-28.75%	0.68%
Reuters/Jefferies CRB	473.52	07/02/08	183.52	10/22/01	253.68	-46.43%	N/A
Merrill Lynch Perpetual Preferred	197.851	05/08/07	51.791	03/09/09	120.638	-39.03%	8.87%
Merrill Lynch High Yield Master II	202.244	08/11/09	106.667	10/10/02	201.924	-0.16%	11.52%