FIRST Trust ADVISORS L.P.

# Market Watch

Week of September 28th

## STOCK INDEX PERFORMANCE

| Index | Week | YTD | 12-mo. | 2006 | 5-yr. |
|---|---|---|---|---|---|
| DOW JONES 30 (13896) | 0.55% | 13.31% | 21.68% | 19.04% | 15.45% |
| S&P 500 (1527) | 0.09% | 9.13% | 16.44% | 15.79% | 15.46% |
| NASDAQ 100 (2091) | 2.03% | 19.41% | 27.01% | 7.28% | 20.66% |
| S&P 500/Citigroup Growth | 0.45% | 10.59% | 16.86% | 11.03% | 12.79% |
| S&P 500/Citigroup Value | -0.26% | 7.81% | 16.17% | 20.85% | 18.25% |
| S&P MidCap 400/Citigroup Growth | 0.49% | 14.49% | 21.34% | 5.90% | 16.68% |
| S&P MidCap 400/Citigroup Value | 0.30% | 7.63% | 16.27% | 14.98% | 19.69% |
| S&P SmallCap600/Citigroup Growth | -0.22% | 12.34% | 20.49% | 10.56% | 19.07% |
| S&P SmallCap600/Citigroup Value | -1.76% | 1.81% | 10.37% | 19.66% | 18.57% |
| MSCI EAFE | 2.31% | 13.70% | 25.57% | 26.98% | 24.18% |
| MSCI World (ex US) | 2.27% | 14.83% | 26.56% | 26.34% | 24.71% |
| MSCI World | 1.28% | 12.26% | 21.80% | 20.72% | 19.93% |
| MSCI Emerging Markets | 3.80% | 34.32% | 57.96% | 32.20% | 38.21% |

**Source: Bloomberg.** Returns are total returns. *The 5-yr. return is an average annual.* One-week, YTD, 12-mo. and 5-yr. performance returns calculated through 9/28/07.

## S&P SECTOR PERFORMANCE

| Index | Week | YTD | 12-mo. | 2006 | 5-yr. |
|---|---|---|---|---|---|
| Consumer Discretionary | -1.13% | -3.57% | 6.34% | 18.64% | 11.24% |
| Consumer Staples | 1.24% | 10.13% | 14.20% | 14.58% | 9.80% |
| Energy | -0.93% | 28.71% | 43.09% | 24.21% | 29.97% |
| Financials | -0.59% | -4.93% | 1.79% | 19.23% | 13.52% |
| Health Care | -0.01% | 7.35% | 8.87% | 7.53% | 8.60% |
| Industrials | 0.85% | 17.45% | 24.41% | 13.29% | 17.52% |
| Information Technology | 1.48% | 16.21% | 23.33% | 8.42% | 18.65% |
| Materials | 1.14% | 22.44% | 36.68% | 18.98% | 21.92% |
| Telecom Services | -0.32% | 17.88% | 28.09% | 36.74% | 21.96% |
| Utilities | -1.55% | 11.00% | 21.16% | 20.99% | 20.90% |

**Source: Bloomberg.** Returns are total returns. *The 5-yr. return is an average annual.* One-week, YTD, 12-mo. and 5-yr. performance returns calculated through 9/28/07.

## BOND INDEX PERFORMANCE

| Index | Week | YTD | 12-mo. | 2006 | 5-yr. |
|---|---|---|---|---|---|
| U.S. Treasury: Intermediate | 0.37% | 5.11% | 5.91% | 3.51% | 3.08% |
| GNMA 30 Year | 0.15% | 3.63% | 5.23% | 4.62% | 4.05% |
| U.S. Aggregate | 0.35% | 3.85% | 5.14% | 4.33% | 4.18% |
| U.S. Corporate High Yield | 0.44% | 3.21% | 7.54% | 11.85% | 12.55% |
| U.S. Corporate Investment Grade | 0.51% | 2.54% | 3.93% | 4.30% | 5.13% |
| Municipal Bond: Long Bond (22+) | 0.87% | 0.04% | 1.86% | 6.82% | 5.20% |
| Global Aggregate | 0.78% | 6.02% | 8.20% | 6.64% | 6.86% |

**Source: Lehman Bros.** Returns include reinvested interest. *The 5-yr. return is an average annual.* One-week, YTD, 12-mo. and 5-yr. performance returns calculated through 9/28/07.

## KEY RATES

As of 9/28

| | | | |
|---|---|---|---|
| Fed Funds | 4.75% | 5-YR CD | 4.70% |
| LIBOR (1-month) | 5.13% | 2-YR Note | 3.98% |
| CPI - Headline | 2.00% | 5-YR Note | 4.24% |
| CPI - Core | 2.10% | 10-YR Note | 4.58% |
| Money Market Accts. | 3.79% | 30-YR T-Bond | 4.83% |
| Money Market Funds | 4.54% | 30-YR Mortgage | 6.30% |
| 6-mo. CD | 4.46% | Prime Rate | 7.75% |
| 1-YR CD | 4.67% | Bond Buyer 40 | 4.80% |

**Sources: Bankrate.com, iMoneyNet.com and Bloomberg**

## WEEKLY FUND FLOWS

| | Week of 9/26 | Previous |
|---|---|---|
| **Equity Funds** | **-$6.8 B** | **$23.4 B** |

Including ETF activity, Domestic funds reporting net outflows of -$10.631B and Non-domestic funds reporting net inflows of $3.866B.

| | | |
|---|---|---|
| **Bond Funds** | **$1.7 B** | **$975 M** |

Inflows were reported in International & Global Debt funds, $446M, the largest inflows to the sector since 5/2/07, and High Yield Corporate Bond Funds, $405M, the largest inflows since 6/1/05.

| | | |
|---|---|---|
| **Municipal Bond Funds** | **$270 M** | **$202 M** |
| **Money Markets** | **$26.781 B** | **$3.328 B** |

**Source: AMG Data Services**

## FACTOIDS FOR THE WEEK OF SEPTEMBER 24TH - 28TH

**Monday, September 24, 2007 — Stock Market Listings**
So far this year, 34 foreign companies have delisted from the NYSE, outpacing the 21 foreign companies that joined, according to *USA TODAY*. Another 20 companies have either left the Nasdaq or will. The two main reasons cited are the millions of dollars needed to comply with Sarbanes-Oxley rules/U.S. accounting standards and the ease with which investors throughout the globe can now trade on most foreign exchanges.

**Tuesday, September 25, 2007 — Housing Values & The S&P 500 Index**
Like tech stocks in 2000, the drop in home values reported today is a reminder that valuation matters. Housing prices have significantly outpaced inflation throughout this decade. With U.S. economic growth expected to temper moving forward, a flight to quality (large-caps) in the stock market is not out of the question, especially since the trailing 12-month p-e ratio on the S&P 500 is 17.5, well below its 25-year average of 20. Since the peak in the S&P 500 on July 19, large-cap stocks, which have been thumped by their mid- and small-cap counterparts over the past eight years, outpaced both groups through yesterday's close. Here are the returns: Large-Cap Growth (-0.97%); Large-Cap Value (-2.79%); Mid-Cap Growth (-3.25%); Small-Cap Growth (-3.69%); Mid-Cap Value (-6.75%); and Small-Cap Value (-6.78%).

**Wednesday, September 26, 2007 — Emerging Markets**
Big money continues to seek out opportunities in emerging markets. A total of 107 private equity funds targeting emerging markets in Asia, Europe, Latin America, the Middle East and Africa raised a combined $23.5 billion in the first half of 2007, compared to $33.2 billion raised by 161 funds throughout 2006, according to the Emerging Markets Private Equity Association.

**Thursday, September 27, 2007 — Bullish Outlook for Large-Caps**
The Q3'07 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-nine percent of those managers polled are bullish, down slightly from 74% in Q2'07. Non-U.S. developed markets came in second at 57% followed by mid-cap growth stocks at 53%. The sectors that managers are most bullish on are technology (73%) and health care (69%). Despite the recent jump in volatility and the re-pricing of risk, U.S. investment managers continue to favor equities over fixed-income.

**Friday, September 28, 2007 — Small-Cap Stocks**
Since 1979, the small-cap stocks that comprise the Russell 2000 and S&P 600 indices returned an average of 19.5% in the first 12 months following an initial Fed rate cut, according to Sam Stovall, chief investment strategist at Standard & Poor's. That compares favorably to the 12.2% average gain posted by the S&P 500, but lags the 23.0% average gain generated by the Nasdaq Composite. Over that 28 year span, the Russell 2000 was up over 14% for the year a total of 17 times, yet up just 4% or less in the remaining years. Not once since 1979 was the index up between 4% and 14%, according to Citigroup's small- and mid-cap strategist Lori Calvasina.