FIRST Trust
ADVISORS L.P.
1001 Warrenville Road, Suite 300, Lisle, IL 60532 630/241-4141

For The Week Ended December 14, 2007
Weekly Market Commentary & Developments

US Economy and Credit Markets:

Yields and Weekly Changes:

3 Mo. T-Bill	2.86 (-21 bps)	**GNMA (30 Yr) 8% Coupon:**	104-24/32 (5.90%)
6 Mo. T-Bill	3.25 (unch.)	**Duration:**	3.10 years
2 Yr. T-Note	3.30 (+20 bps)	**30-Year Insured Revs**:	98.7% of 30 Yr. T-Bond
5 Yr. T-Note	3.63 (+14 bps)	**Bond Buyer 40 Yield**:	4.85% (+01 bps)
10 Yr. T-Note	4.23 (+13 bps)	**Crude Oil Futures**:	91.45 (+3.17)
30 Yr. T-Bond	4.65 (+09 bps)	**Gold Futures**:	793.90 (-0.50)
		Merrill Lynch High Yield Indices:	
		BB, 7-10 Yr.	7.86% (+02 bps)
		B, 7-10 Yr.	9.22% (-01 bps)

Treasurys prices declined for the second straight week as a rise in consumer prices brought inflation concerns back into the market. The 0.8% increase in CPI (against a consensus expectation of a 0.6% increase) caused many in the market to lower their expectations of additional Fed rate cuts in the near future. The FOMC did cut rates by 25 bps at last week's meeting, but if consumer prices continue to rise at the current rate, increasing fear of inflation would decrease the likelihood of future cuts. The cut was not less than many had expected, which caused Treasurys to rise sharply following Tuesday's action as stock prices fell rapidly. However, bond prices were down in each of the other trading sessions for the week as the Fed took action to add liquidity to the credit market and inflation data impacted the market. Economic reports (and related consensus forecasts) for the coming week include: Monday: 3Q Current Account Balance (-$183.8 billion); Tuesday: November Housing Starts (1,176,000); Thursday: 3Q Final GDP (4.9%, Price Index 0.9%), Initial Jobless Claims (335,000), November Leading Indicators (-0.3%), and December Philadelphia Fed Report (6.0); and Friday: November Personal Income (0.5%) and Personal Spending (0.7%), and December Final U of Michigan Consumer Confidence (74.9).

US Stocks:

Weekly Index Performance

DJIA	13339.85 (-285.73,-2.1%)
S&P 500	1467.95 (-36.71,-2.4%)
S&P MidCap	855.21 (-30.31,-3.4%)
S&P Small Cap	390.33 (-17.41,-4.3%)
NASDAQ Comp	2635.74 (-70.42,-2.6%)
Russell 2000	753.93 (-31.59,-4.0%)

Market Indicators

Strong Sectors: Telecom Svcs., Energy, Technology, Healthcare
Weak Sectors: Financials, Retail, Housing-Related, Precious Metals
NYSE Advance/Decline: 773 / 2,763
NYSE New Highs/New Lows: 202 / 313
AAII Bulls/Bears: 47.6% / 35.7%

US stocks fell as investors were disappointed with a less-than-hoped-for 25 bps interest rate cut by the Federal Reserve and as economic data cast doubt on future rate cuts. Financials came under heavy selling pressure despite moves by leading institutions to shore up capital or address losses from subprime mortgage exposure. **UBS**, **MBIA** and **Washington Mutual** were among firms in the former camp while **Citigroup**'s new CEO announced the bank would absorb $49 billion in off-balance sheet mortgage assets. **Lehman Brothers** reported better-than-expected quarterly profits but its shares lost ground. Interest-rate sensitive areas of the market away from Financials also suffered. Monthly readings on producer prices, consumer prices, industrial production and retail sales revealed no weakening of the economy and instead conjured up a scenario of stagflation. **AT&T** shares added 7% on an optimistic forecast and dividend boost. **Texas Instruments** offered an upbeat mid-quarter update. **Dow Chemical** shares gained on news of a joint venture with a Kuwaiti state-owned enterprise. **McDonald's** advanced on a robust November same-store sales figure. Crude oil prices ended the week higher at $91.27/bbl, pacing Energy shares to gains. In merger news, Japan's **Eisai** announced a deal to acquire **MGI Pharma** for $3.9 billion. Looking ahead, investors will once again be watching the Financial sector this week, with earnings reports due out from **Goldman Sachs**, **Morgan Stanley** and **Bear Stearns** and with the first auction of funds under the Fed's liquidity enhancement plan slated for Monday morning. If the economy is indeed as resilient as recent data suggests, stocks appear compellingly cheap on earnings prospects, Financials aside.