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

For The Week Ended January 11, 2007
Weekly Market Commentary & Developments

US Economy and Credit Markets:

Yields and Weekly Changes:

3 Mo. T-Bill	3.09 (-09 bps)	**GNMA (30 Yr) 8% Coupon:** 104-27/32 (5.97%)	
6 Mo. T-Bill	3.06 (-15 bps)	**Duration:** 3.01 years	
2 Yr. T-Note	2.55 (-18 bps)	**30-Year Insured Revs**: 101.6% of 30 Yr. T-Bond	
5 Yr. T-Note	3.03 (-15 bps)	**Bond Buyer 40 Yield**: 4.78% (-01 bps)	
10 Yr. T-Note	3.78 (-09 bps)	**Crude Oil Futures**: 92.72 (-5.10)	
30 Yr. T-Bond	4.37 (unch.)	**Gold Futures**: 897.60 (+31.90)	
		Merrill Lynch High Yield Indices:	
		BB, 7-10 Yr.	8.06% (+10 bps)
		B, 7-10 Yr.	9.78% (+20 bps)

Treasury yields rose for the fourth straight week as the ongoing issues in the credit market continue to stoke demand for the safety of Treasury debt. In addition, financial companies continue to write down losses relating to subprime mortgages, and companies across other sectors are lowering earnings forecasts, sending the stock market sharply lower for the week. Fed Chairman Ben Bernanke's statement that additional cuts in the Fed's target rate "may well be necessary" to spur the economy was also a factor in rising prices. In fact, Fed futures contracts are now showing an almost one-in-three chance of a 75 bps cut, with the remainder seeing a 50 bps cut. Economic reports (and related consensus forecasts) for the coming week include: Tuesday: December Producer Price Index (+0.2%, ex Food & Energy +0.2%), December Advance Retail Sales (unch., less Autos -0.1%), and November Business Inventories (+0.4%); Wednesday: December Consumer Price Index (+0.2%, ex Food & Energy +0.2%), December Industrial Production (-0.2%) and Capacity Utilization (81.2%), and Fed's Beige Book; Thursday: December Housing Starts (1,145,000), Initial Jobless Claims (334,000), and January Philadelphia Fed report (-1.0); and Friday: January Preliminary U of Michigan Confidence (74.8) and December Leading Indicators (-0.1%).

US Stocks:

Weekly Index Performance

DJIA	12606.30 (-193.88,-1.5%)
S&P 500	1401.02 (-10.61,-0.8%)
S&P MidCap	796.23 (-21.28,-2.6%)
S&P Small Cap	364.54 (-9.13,-2.4%)
NASDAQ Comp	2439.94 (-64.71,-2.6%)
Russell 2000	771.76 (-13.84,-1.8%)

Market Indicators

Strong Sectors: Energy, Mining & Metals, Telecom Svcs., Transports
Weak Sectors: Financials, Housing, Health Care
NYSE Advance/Decline: 1,698 / 1,836
NYSE New Highs/New Lows: 168 / 365
AAII Bulls/Bears: 30.0% / 50.0%

US stocks fell in a volatile week of trading as fears of a consumer-led recession took hold. Stocks finished the week officially in correction territory with both the DJIA and S&P 500 off more than 10% from October highs. Fed Chairman Bernanke's speech mid-week reassured investors as it implied a sizable interest cut might be forthcoming, but old worries reemerged on Friday after **American Express** announced a fourth-quarter charge related to delinquent loans. AmEx's warning came days after **Capital One Financial** lowered guidance and **AT&T** said it noted weakness in consumer-related lines of business. Financials avoided another week in the red with news of actual and potential deal making. **Bank of America** agreed to buy **Countrywide Financial** for $4 billion in stock shortly after the mortgage lender denied rumors it would file for bankruptcy. **MBIA** cut its dividend and raised $1 billion in a bond sale. **JPMorgan Chase** was rumored to be in talks to acquire **Washington Mutual**. Meanwhile, investors took position in defensive sectors of the market. Gold prices rose, approaching $900/oz. Retail results from December were tepid. **Wal-Mart** bucked the trend of negative same-store sales compares and met guidance. **Target**, **Macy's** and **Tiffany** disappointed. **Alcoa**'s earnings were pressured by high energy costs. However, **Du Pont** boosted its profit outlook on strength in agriculture and emerging markets. **Starbucks'** founder returned as CEO. Looking ahead, with the market off to its fourth worst start to a year since 1928, investors will attempt to regroup while wading through a number of key data points this week. Earnings reports from leading Financial sector players and inflation data are due out in the days ahead. Defensive sectors may outshine cyclical sectors until the outlook for the economy brightens.