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

For The Week Ended January 4, 2008
Weekly Market Commentary & Developments

US Economy and Credit Markets:

Yields and Weekly Changes:

3 Mo. T-Bill	3.18 (+04 bps)
6 Mo. T-Bill	3.21 (-21 bps)
2 Yr. T-Note	2.73 (-36 bps)
5 Yr. T-Note	3.18 (-31 bps)
10 Yr. T-Note	3.87 (-20 bps)
30 Yr. T-Bond	4.37 (-12 bps)

GNMA (30 Yr) 8% Coupon: 104-24/32 (6.00%)
Duration: 3.09 years
30-Year Insured Revs: 103.4% of 30 Yr. T-Bond
Bond Buyer 40 Yield: 4.79% (-07 bps)
Crude Oil Futures: 97.82 (+1.80)
Gold Futures: 865.70 (+23.00)
Merrill Lynch High Yield Indices:

BB, 7-10 Yr.	7.96% (+09 bps)
B, 7-10 Yr.	9.58% (+36 bps)

After finishing off their best year since 2002, Treasuries opened the new year with their best start since 2001. Treasuries gained early in the week on the perception of continued weakness in the housing market and how the broader market might be affected. Prices rose again in the first trading session of the new year as manufacturing contracted in December, according to ISM, the first decline since January 2007 and at its lowest level since April 2003. Anticipation of a weak employment report for December helped pushed prices higher Thursday, and when the report showed an unemployment rate of 5.0% from 4.7%, prices rose again Friday. It was the first time the unemployment rate had hit 5.0% since November 2005. With the bulk of the week's economic news on the negative side, speculation has grown that a Fed rate cut is inevitable at the meeting at the end of January, with the only question whether the cut is 25 bps or 50 bps. Economic reports (and related consensus forecasts) for the coming week include: Tuesday: November Consumer Credit ($8.0 billion); Thursday: Initial Jobless Claims (340,000) and November Wholesale Inventories (0.4%); and Friday: November Trade Balance (-$59.5 billion), December Import Price Index (unch.), and December Budget Statement ($50.0 billion).

US Stocks:

Weekly Index Performance

DJIA	12800.18 (-565.69,-4.2%)
S&P 500	1411.63 (-66.86,-4.5%)
S&P MidCap	817.51(-45.62,-5.3%)
S&P Small Cap	373.67 (-24.34,-6.1%)
NASDAQ Comp	2504.65 (-169.81,-6.3%)
Russell 2000	721.60 (-50.16,-6.5%)

Market Indicators

Strong Sectors: Utilities, Health Care, Energy
Weak Sectors: Technology, Consumer Discretionary, Financials
NYSE Advance/Decline: 1,263 / 2,310
NYSE New Highs/New Lows: 118 / 695
AAII Bulls/Bears: 25.7% / 55.2%

U.S. stocks began 2008 with steep losses as a weak employment report and declining manufacturing activity forced investors to review their outlook for the economy. Semiconductor shares led the technology sector lower after **Intel** was downgraded by a couple of brokerage firms on growth concerns. Homebuilders and financials, continuing where they left off in 2007, also faced significant selling pressure. **Monsanto** shares jumped higher on earnings well ahead of expectations. Commodities continued to move higher as oil broke through $100/bbl for the first time ever and gold set a new all-time high at $869/oz. Domestic auto makers **GM** and **Ford** reported that sales declined in 2007, while **Toyota's** small increase pushed it ahead of **Ford** as the number two auto maker in the U.S. While 2008 did not start off on a good note, 2007 was a respectable year for equities considering the challenges (on-going war in Iraq, collapse of housing & a credit crunch to name a few). For the year the S&P 500, DJIA, NASDAQ Comp posted gains of 5.5%, 8.9% and 10.7%, respectively. A notable exception was the Russell 2000 which fell 1.6%, the first time small caps have trailed large caps in several years. Looking ahead, the coming week brings the official start of earnings season when **Alcoa** reports on Wednesday. Estimates for corporate profit growth have been ratcheted down over the preceding months and expectations are for a challenging environment going forward. While valuations for the market as a whole are reasonable, trading is likely to be volatile over the near-term until the market becomes more comfortable with the long-term prospects for the economy.