First Trust Market Watch

Week of October 27th

STOCK INDEX PERFORMANCE

Index	Week	YTD	12-mo.	2007	5-yr.
DOW JONES 30 (8379)	-5.31%	-35.47%	-37.07%	8.88%	-0.36%
S&P 500 (877)	-6.76%	-39.24%	-40.89%	5.49%	-1.30%
NASDAQ 100 (1202)	-8.34%	-42.13%	-44.79%	19.24%	-2.19%
S&P 500/Citigroup Growth	-6.46%	-38.18%	-38.99%	9.25%	-2.37%
S&P 500/Citigroup Value	-7.09%	-40.34%	-42.83%	2.03%	-0.25%
S&P MidCap 400/Citigroup Growth	-9.68%	-41.85%	-43.10%	13.55%	-0.94%
S&P MidCap 400/Citigroup Value	-9.60%	-39.84%	-42.41%	2.84%	1.02%
S&P SmallCap600/Citigroup Growth	-10.53%	-36.65%	-40.49%	5.66%	1.39%
S&P SmallCap600/Citigroup Value	-11.22%	-34.94%	-39.09%	-5.19%	1.50%
MSCI EAFE	-9.75%	-47.92%	-48.65%	11.76%	2.61%
MSCI World (ex US)	-9.75%	-47.76%	-48.54%	13.04%	2.98%
MSCI World	-8.31%	-43.83%	-44.96%	9.69%	0.73%
MSCI Emerging Markets	-16.53%	-61.18%	-61.63%	39.23%	5.67%

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 10/24/08.

S&P SECTOR PERFORMANCE

Index	Week	YTD	12-mo.	2007	5-yr.
Consumer Discretionary	-10.18%	-40.43%	-45.98%	-13.21%	-6.69%
Consumer Staples	-5.03%	-20.23%	-17.47%	14.36%	4.16%
Energy	-2.28%	-40.47%	-37.70%	34.41%	14.16%
Financials	-10.46%	-50.95%	-56.28%	-18.52%	-9.72%
Health Care	-3.47%	-26.35%	-26.38%	7.32%	-0.09%
Industrials	-7.85%	-43.02%	-44.84%	12.04%	-0.41%
Information Technology	-9.20%	-42.50%	-43.72%	16.30%	-4.07%
Materials	-11.08%	-46.54%	-46.72%	22.53%	1.68%
Telecom Services	-5.31%	-41.73%	-43.94%	11.88%	2.14%
Utilities	-0.78%	-33.83%	-29.43%	19.38%	8.25%

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 10/24/08.

BOND INDEX PERFORMANCE

Index	Week	YTD	12-mo.	2007	5-yr.
U.S. Treasury: Intermediate	0.82%	5.85%	8.36%	8.83%	4.41%
GNMA 30 Year	0.79%	3.45%	5.16%	6.97%	4.79%
U.S. Aggregate	0.71%	-0.64%	0.83%	6.97%	3.68%
U.S. Corporate High Yield	-1.23%	-25.33%	-26.74%	1.88%	0.22%
U.S. Corporate Investment Grade	0.86%	-13.64%	-13.58%	4.56%	0.49%
Municipal Bond: Long Bond (22+)	11.16%	-11.25%	-12.23%	0.46%	2.21%
Global Aggregate	-0.07%	-2.66%	-0.93%	9.48%	4.23%

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 10/24/08.

KEY RATES

As of 10/24

Fed Funds	1.50%	5-YR CD	3.88%
LIBOR (1-month)	3.53%	2-YR Note	1.53%
CPI - Headline	4.90%	5-YR Note	2.60%
CPI - Core	2.50%	10-YR T-Bond	3.70%
Money Market Accts.	2.45%	30-YR T-Bond	4.31%
Money Market Funds	1.53%	30-YR Mortgage	5.78%
6-mo. CD	3.06%	Prime Rate	4.50%
1-YR CD	3.59%	Bond Buyer 40	5.54%

Sources: Bankrate.com, iMoneyNet.com and Bloomberg

MARKET INDICATORS

As of 10/24

TED Spread:	Investment Grade Spread:	High Yield Spread (BB):
266 bps	580 bps	940 bps

Sources: Bloomberg and Merrill Lynch via Bloomberg.

WEEKLY FUND FLOWS

	Week of 10/22	Previous
Equity Funds	**$686 M**	**-$9.9 B**

Including ETF activity, Domestic funds reporting net inflows of $499 M and Non-domestic funds reporting net inflows of $187 M.

Bond Funds	**-$2.6 B**	**-$12.6 B**
Municipal Bond Funds	**-$1.126 B**	**-$2.285 B**

This is the second largest net outflow on record as the three largest weekly net outflows have been reported consecutively in October.

Money Markets	**$17.151 B**	**$58.240 B**

General MM funds report net inflows totaling $5.718 B and Government MM funds report net inflows of $11.433 B.

Source: AMG Data Services

FACTOIDS FOR THE WEEK OF OCTOBER 20TH - OCTOBER 24TH

Monday, October 20, 2008
On October 14, 29 U.S. and 185 foreign companies ($500 million or more) closed trading with a market cap below their respective cash holdings, according to analysis by *BusinessWeek*. A sign the equities markets could be oversold. In October 2002, the bottom of the last bear market, 14 U.S. and 77 foreign companies found themselves in the same predicament. For the 12-month period following the end of the bear market in 2002, those 14 U.S. companies returned an average of 66%, vs. 29% for the S&P 500. *BusinessWeek* did not list the companies from the 14th but did note that UAL, General Motors and Morgan Stanley were among the 29 U.S. firms.

Tuesday, October 21, 2008
The U.S. government's decision to inject $250 billion into the banking system may impact smaller banks differently than their larger counterparts. Nine of the largest banks will automatically receive a combined $125 billion in return for preferred stock paying 5% for the first five years. After five years the rate adjusts to 9%. The goal is for the banks to repay the government within five years. The yields on the publicly traded preferred stock shares of these nine banks currently range from 7.75% to 11.80%, according to J.P. Morgan Securities, Inc. So banks should be able to earn a nice spread on a 5% loan. Smaller banks can tap into the remaining $125 billion. These institutions, however, are concerned they could be stigmatized as financially weak if they participate.

Wednesday, October 22, 2008
Health care stocks tend to perform better than the broader indices during bear markets because demand for their products is not cyclical, so the sector is regarded as defensive in nature. From 10/9/07-10/21/08, the S&P Health Care Index declined 23.7%, vs. -37.6% for the S&P 500. The S&P Health Care Index is off more than usual due to the 47.2% hit to the managed care companies. Since they are the providers of health insurance, they are experiencing greater scrutiny in this election year. Investors should not ignore innovation as a potential driver of this sector. For example, there are currently 334 drug compounds in the final stages of clinical testing, up 24% from 2002, according to IMS Health.

Thursday, October 23, 2008
The freeze-up in the credit markets has driven corporate spreads to extreme levels in a relatively short period of time. Currently, Baa-rated corporates (low end of investment-grade) yield over 400 basis points above Treasuries, eclipsing the record set in 2002, according to SmartMoney.com. Speculative-grade corporates (junk bonds) currently offer a record 1,400 basis points over Treasuries, well above the 1,000 basis points normally associated with a distressed climate.

Friday, October 24, 2008
Small-cap stocks are off 35.3% this year through yesterday's close, as measured by the Russell 2000 Index. The index's forward-looking P/E is 22, an 80% discount to where it stood a year ago, according to Birinyi Associates. Based on price-to-book, this is the cheapest the index has been in 10 years, according to Citigroup. If the U.S. is fortunate enough to experience a "V" shaped recovery, investors should consider owning small-caps since they tend to perform well in the early stages of an economic cycle.