First Trust
120 E. Liberty Drive, Wheaton, IL 60187 630-765-8000

For The Week Ended December 12, 2008
Weekly Market Commentary & Developments

US Economy and Credit Markets:

Yields and Weekly Changes:

3 Mo. T-Bill	0.01 (unch)	**GNMA (30 Yr) 7% Coupon:** 103-18/32 (5.25%)	
6 Mo. T-Bill	0.20 (unch)	**Duration:** 3.08 years	
1 Yr. T-Note	0.45 (-06 bps)	**30-Year Insured Revs**: 223.0% of 30 Yr. T-Bond	
2 Yr. T-Note	0.75 (-18 bps)	**Bond Buyer 40 Yield**: 6.57% (+16 bps)	
3 Yr. T-Note	1.03 (-16 bps)	**Crude Oil Futures**: 46.55 (+5.00)	
5 Yr. T-Note	1.51 (-19 bps)	**Gold Futures**: 817.00 (+61.60)	
10 Yr. T-Bond	2.57 (-13 bps)	**Merrill Lynch High Yield Indices:**	
30 Yr. T-Bond	3.04 (-08 bps)	**BB, 7-10 Yr.**	14.19% (-23 bps)
		B, 7-10 Yr.	18.20% (+19 bps)

Treasury prices gained once again, their sixth straight week in positive territory. Concern over the viability of the U.S. automakers were just the latest factor that sent investors seeking the safety of government debt after the Senate failed Thursday night to pass a bailout package that would have provided longer term relief; later on Friday the Treasury agreed to provide funding which could keep them in business until the new Congress is seated. The benchmark 10-year note closed the week at a yield of 2.57% after reaching a low of 2.47% in Friday's trading, the lowest it had been since 1954. Other maturities also touched long-term lows on Friday before retreating slightly. Producer prices fell sharply in November, driven by the rapid drop in energy prices. Retail sales also fell in November, although the 1.8% decline beat expectations of a 2.0% drop. Economic reports (and related consensus forecasts) for the coming week include: Monday: November Industrial Production (-0.8%) and Capacity Utilization (75.6%), November Consumer Price Index (-1.3%, Ex Food & Energy 0.1%), and November Housing Starts (735,000); Tuesday: FOMC Rate Decision (0.50%); Wednesday: 3Q Current Account Balance (-$179.0 billion); Thursday: Initial Jobless Claims (558,000), December Philadelphia Fed report (-40.0), and November Leading Indicators (-0.4%).

US Stocks:

Weekly Index Performance

DJIA	8629.68 (-5.74,-0.1%)
S&P 500	879.73 (+3.66,+0.4%)
S&P MidCap	507.52 (+9.40,+1.9%)
S&P Small Cap	250.74 (+3.25,+1.3%)
NASDAQ Comp	1540.72 (+31.41,+2.1%)
Russell 2000	468.43 (+7.34,+1.6%)

Market Indicators

Strong Sectors: Materials, Energy, Technology
Weak Sectors: Financials, Consumer Discretionary, Transports
NYSE Advance/Decline: 1,886 / 1,362
NYSE New Highs/New Lows: 15 / 158
AAII Bulls/Bears: 37.5% / 39.8%

US stocks were little changed on the week after demonstrating resilience in the face of negative news and data. The pressure on stocks from forced selling abated somewhat. The S&P 500 came to rest almost 17% above its November 20th low. Relative strength was seen in commodity-related issues and Technology shares. Commodities rallied as the dollar weakened. Crude oil advanced 13% ahead of the coming week's OPEC meeting at which the cartel is expected to cut production. Stocks clawed back from early losses on Friday to close higher on the day. Initially, stocks appeared headed for steep losses as the Senate rejected a $14 billion bailout for automakers. However, the White House's apparent willingness to step in with TARP funds encouraged buying. Surprisingly, investors were willing to look past a scandal in the hedge fund world involving a fraud of unprecedented proportions. News on corporate earnings was fairly grim. Bellwethers **FedEx** and **Texas Instruments** cut guidance. **Bank of America** announced major layoffs. **American Express** shares came under pressure on analyst action. **Chesapeake Energy** appeased shareholders by trimming spending plans and cancelling a stock sale. Looking ahead, the key events in the coming week are likely to be Tuesday's report on monthly consumer prices and the decision on interest rates and accompanying statement from the FOMC. The action in stocks going into year-end may be driven by the opposing forces of tax-loss selling and performance-chasing from skeptical investors. Longer-term, investors may need more clarity in the economic picture as well as visibility on a return to normalcy in the credit markets before wholeheartedly embracing risky assets including stocks.