First Trust
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For The Week Ended December 5, 2008
Weekly Market Commentary & Developments

US Economy and Credit Markets:

Yields and Weekly Changes:

3 Mo. T-Bill	0.01 (-03 bps)	**GNMA (30 Yr) 7% Coupon:** 102-27/32 (5.76%)	
6 Mo. T-Bill	0.20 (-21 bps)	**Duration:** 3.16 years	
1 Yr. T-Note	0.51 (-38 bps)	**30-Year Insured Revs**: 207.1% of 30 Yr. T-Bond	
2 Yr. T-Note	0.93 (-05 bps)	**Bond Buyer 40 Yield**: 6.41% (+26 bps)	
3 Yr. T-Note	1.19 (-06 bps)	**Crude Oil Futures**: 41.55 (-13.85)	
5 Yr. T-Note	1.70 (-21 bps)	**Gold Futures**: 755.40 (-51.80)	
10 Yr. T-Bond	2.70 (-22 bps)	**Merrill Lynch High Yield Indices:**	
30 Yr. T-Bond	3.12 (-31 bps)	**BB, 7-10 Yr.**	14.42% (+48 bps)
		B, 7-10 Yr.	18.01% (-168 bps)

As the National Bureau Of Economic Research confirmed that the U.S. recession began in December 2007, Treasurys showed their fifth straight week of gains, with yields touching historic lows. The monthly employment report showed that nonfarm payrolls declined by 533,000 in November — the eleventh straight month of shrinking payrolls — causing investors to continue to seek the safety of Treasury debt. The payroll losses far exceeded forecasts of 335,000, and losses for September and October were revised lower by a total of 199,000. Other news from the economy helped push Treasury prices higher as well. The ISM services index fell to its lowest level since it was created in 1997. In addition, factory orders fell by 5.1% in October — slightly in excess of forecasts — showing the sharpest drop since 2000. Economic reports (and related consensus forecasts) for the coming week include: Wednesday: October Wholesale Inventories (-0.2%) and November Monthly Budget Statement (-$177.5 billion); Thursday: October Trade Balance (-$53.5 billion), November Import Price Index (-4.8%), and Initial Jobless Claims (523,000); and Friday: November Producer Price Index (-2.0%, Ex Food & Energy 0.1%), November Advance Retail Sales (-1.9%, Less Autos -1.7%), December Preliminary U of Michigan Consumer Confidence (55.0), and October Business Inventories (-0.2%).

US Stocks:

Weekly Index Performance

DJIA	8635.42 (-193.62,-2.2%)
S&P 500	876.07 (-20.17,-2.3%)
S&P MidCap	498.12 (-16.44,-3.2%)
S&P Small Cap	247.49 (-6.26,-2.5%)
NASDAQ Comp	1509.31 (-26.26,-1.7%)
Russell 2000	461.09 (-12.05,-2.6%)

Market Indicators

Strong Sectors: Financials, Health Care, Telecom, Consumer Goods
Weak Sectors: Energy, Materials, Utilities
NYSE Advance/Decline: 1,148 / 2,102
NYSE New Highs/New Lows: 10 / 265
AAII Bulls/Bears: 26.7% / 47.8%

US stocks pulled back amid concern over the course of the economy and corporate profits. Selling was heaviest on Monday following November's late-month mini-recovery but for the rest of the week stocks were actually fairly resilient in the face of grim economic data. Stocks fell over 3% in early trading Friday following the November employment report (for details see above) but recovered to end solidly in the black. Crude oil fell 25% on the week to a four-year low. Mortgage purchase and refinancing applications surged. Holiday spending including Black Friday and Cyber Monday rose 1.9%, although many observers questioned the profitability behind bargain prices. **Johnson & Johnson** stepped up with a $1.07 billion bid for **Mentor**. Financials rallied, notably the life insurers, as worries over capital adequacy receded. Shares of **Hartford Financial Services** more than doubled in trading Friday. Overall however, the deflationary forces at work in the economy appeared to be the most pervasive influence in the market last week. Layoff announcements came from **AT&T**, **Viacom**, **DuPont**, **State Street** and **Bank of America**. **Wal-Mart** was among the few retailers to post same-store sales gains for November. Retail shares rose however, indicating poor results were already baked in to prices. **Freeport-McMoRan** shares tumbled after the company trimmed copper production and suspended the dividend. Looking ahead, the coming week features a smattering of economic reports including November retail sales and monthly producer prices with only a few corporate earnings releases due out. Investors may be reluctant to return en masse to risk assets including stocks until the depth and duration of the recession currently underway appears more certain.