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

For The Week Ended January 23, 2008
Weekly Market Commentary & Developments

US Economy and Credit Markets:

Yields and Weekly Changes:

3 Mo. T-Bill	0.09 (-02 bps)	**GNMA (30 Yr) 7% Coupon:**	104-18/32 (4.37%)
6 Mo. T-Bill	0.29 (+01 bps)	**Duration:**	2.74 years
1 Yr. T-Bill	0.42 (unch.)	**30-Year Insured Revs**:	211.1% of 30 Yr. T-Bond
2 Yr. T-Note	0.80 (+08 bps)	**Bond Buyer 40 Yield**:	5.81% (+22 bps)
3 Yr. T-Note	1.15 (+10 bps)	**Crude Oil Futures**:	45.90 (+9.95)
5 Yr. T-Note	1.63 (+16 bps)	**Gold Futures**:	899.50 (+58.30)
10 Yr. T-Note	2.61 (+29 bps)	**Merrill Lynch High Yield Indices:**	
30 Yr. T-Bond	3.32 (+47 bps)	**BB, 7-10 Yr.**	11.51% (-07 bps)
		B, 7-10 Yr.	15.38% (+16 bps)

In a week shortened to observe the Martin Luther King Jr. holiday, Treasury prices were essentially unchanged at the short end of the yield curve, but the curve steepened as yields rose for longer maturities. The yield on the 30-year Treasury bond rose sharply as it had its biggest price drop since 1987. Prices declines were triggered by buyers anticipating an increase in supply as the government increases spending to counter the slumping economy. In addition, the yield on the benchmark 10-year bond hit its highest level in six weeks during Friday's trading before retreating. There was limited economic news for the week; housing starts declined sharply -- but less than expected -- as home builders continue to try and unload existing inventory. Major economic reports (and related consensus forecasts) for the coming week include: Monday: December Leading Indicators (-0.3%) and December Existing Home Sales (4.40 million); Wednesday: FOMC Rate Decision expected (0.25%); Thursday: December Durable Goods Orders (-2.0%, Ex Transportation (-2.7%), Initial Jobless Claims (575,000), and December New Home Sales (400,000); and Friday: 4Q Advance GDP (-5.5%, Price Index 0.7%), January Chicago Purchasing Manager Index (34.9), and January Final U of Michigan Consumer Confidence (61.9).

US Stocks:

Weekly Index Performance

DJIA	8077.56 (-203.66,-2.5%)
S&P 500	831.95 (-18.17,-2.1%)
S&P MidCap	501.40 (-15.35,-3.0%)
S&P Small Cap	235.42 (-12.47,-5.0%)
NASDAQ Comp	1477.29 (-52.04,-3.4%)
Russell 2000	444.36 (-22.09,-4.7%)

Market Indicators

Strong Sectors: Telecommunications, Energy, Health Care
Weak Sectors: Financials, Industrials, Consumer Discretionary

NYSE Advance/Decline: 773 / 2,426
NYSE New Highs/New Lows: 5 / 194
AAII Bulls/Bears: 27.2% / 46.3%

U.S. stocks fell for a third consecutive week as downbeat earnings reports and renewed concerns about the health of the financial industry weighed on equities. Less than inspiring earnings reports along with a lack of visibility about future results weighed on all sectors. Less than 50% of companies that have reported earnings have met forecasts, well below long-term averages. Financial shares led equities lower as losses mounted in the group and the prospects of another round of bailouts grew. Incoming Treasury Secretary Geithner tried to assure markets to little avail during his Senate confirmation hearings by stating the new administration will have comprehensive plan to tackle the challenges in the next couple of weeks. **State Street** shares plummeted on losses in its bond portfolio, off balance sheet financing concerns and the possibility of needing to raise more equity capital. **Microsoft** announced lower 4Q results and its first ever layoffs amid slumping computer demand. **eBay** shares also fell after reporting its first quarterly revenue decline due to declining auction activity on its website. **Apple** and **IBM** bucked the negative trend as both reported earnings ahead of expectations. **GE** shares slumped 13% on weak earnings and concerns its dividend and AAA credit rating may be in jeopardy. In merger news, **Pfizer** agreed to acquire **Wyeth** for $68 billion in an attempt to restock its medicine cabinet as its best selling drug, Lipitor, loses patent protection in two years. Looking ahead, the day-to-day action will be dictated by the latest earning reports as we head into the heart of earnings season while the overall direction will be determined by the latest thinking on the direction of the economy. Visibility and conviction that the economy is nearing an inflection point will be needed to get sidelined cash committed and for a sustainable move higher to materialize.