First Trust
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For The Week Ended December 18th, 2009
Weekly Market Commentary & Developments

US Economy and Credit Markets:

Yields and Weekly Changes:

3 Mo. T-Bill	0.03 (+01 bps)	**GNMA (30 Yr) 6% Coupon:** 106-13/32 (2.18%)	
6 Mo. T-Bill	0.15 (unch.)	**Duration:** 3.03 years	
1 Yr. T-Bill	0.34 (+03 bps)	**30-Year Insured Revs**: 156.0% of 30 Yr. T-Bond	
2 Yr. T-Note	0.79 (-01 bps)	**Bond Buyer 40 Yield**: 5.40% (+03 bps)	
3 Yr. T-Note	1.31 (+01 bps)	**Crude Oil Futures**: 73.32 (+3.45)	
5 Yr. T-Note	2.27 (+03 bps)	**Gold Futures**: 1112.70 (-6.70)	
10 Yr. T-Note	3.54 (unch.)	**Merrill Lynch High Yield Indices:**	
30 Yr. T-Bond	4.46 (-04 bps)	**BB, 7-10 Yr.**	7.67% (-18 bps)
		B, 7-10 Yr.	8.93% (-14 bps)

Treasury prices were generally unchanged this week. Treasury prices on the short end of the curve were modestly lower on Monday as Abu Dhabi agreed to bail out Dubai World reducing flight to safety concerns. On Tuesday, prices continued lower with better than expected economic reports. Industrial Production increased 0.8% in November ahead of the survey estimate of 0.5% and capacity utilization increased to 71.3% in November beating the expectation of 71.1%. Additionally, PPI increased 1.8% in November ahead of the estimate of 0.8%. Treasury prices were relatively unchanged Wednesday as the Fed left the target fed funds rate at 0% - 0.25%. Thursday, concerns over sovereign credit risk in Greece drove investors back to the safety of U.S. Treasury securities and prices climbed across the curve. Treasury prices declined Friday on inflation concerns as oil prices increased. Major economic reports (and related consensus forecasts) for next week include: Tuesday: 3Q2009 GDP (2.8% annualized), 3Q2009 Personal Consumption (2.9%); Wednesday: November Existing Home Sales (6.25M, 2.5% MoM); Wednesday: November Personal Income (0.5%), November Personal Spending (0.7%), December U of M Consumer Confidence (73.8), November New Home Sales (439K, 2.0% MoM); Thursday: November Durable Goods Orders (0.5%, Ex Transport 1.0%).

US Stocks:

Weekly Index Performance

DJIA	10328.89 (-142.61,-1.4%)
S&P 500	1102.47 (-3.94,-0.4%)
S&P MidCap	714.89 (+8.95,+1.3%)
S&P Small Cap	324.57 (+7.35,+2.3%)
NASDAQ Comp	2211.69 (+21.38,+1.0%)
Russell 2000	610.57 (+10.20,+1.7%)

Market Indicators

Strong Sectors: Technology, Energy, Consumer Discretionary
Weak Sectors: Telecom Svcs., Consumer Staples, Financials
NYSE Advance/Decline: 1,732 / 1,442
NYSE New Highs/New Lows: 562 / 13
AAII Bulls/Bears: 42.1% / 28.4%

US stocks were mixed as credit developments in Europe prompted a flight from risky assets, but strong corporate earnings coaxed out some late-week buyers. The US dollar continued its recent recovery, upending the “short dollar/long-risk assets” trade in the financial markets. Sovereign credit problems centered on Greece and hotter US economic data were cited as reasons for the dollar’s strength. Many market participants advanced their timetable for an interest rate increase with the data, despite the Federal Reserve reiterating on Wednesday it would leave rates unchanged for an extended period. Two major banks repaid TARP funds via new equity issuance. **Citigroup** sold $17 billion of new shares at a discount among other capital raising actions. Somewhat controversially, the US government declined to sell down any portion of its stake in Citi. **Wells Fargo** sold $10.6 billion of new shares in a deal that was well-received. **Oracle**’s quarterly report was viewed as across-the-board positive for the Technology sector. **Research In Motion**’s above-consensus results were helped by international product launches. **Best Buy** reported results ahead of expectations but gross margins were pressured by the product mix. **General Mills** delivered a solid “beat and raise”. **Nike** shares advanced following its quarterly report as the outlook for future orders was positive. **FedEx**’s cautious outlook for the current quarter caused the stock to sell off following in-line earnings. In merger news, **ExxonMobil** announced it would acquire **XTO Energy** for $41 billion in shares. Looking ahead, the coming week is foreshortened by the Christmas holiday but it brings some important readings on the economy, notably the housing market. Though new shocks will undoubtedly emerge in 2010, the balance of evidence in our view supports a positive view of the economy and stock market heading into the New Year.