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

For The Week Ended February 20, 2008
Weekly Market Commentary & Developments

US Economy and Credit Markets:

Yields and Weekly Changes:

3 Mo. T-Bill	0.27 (-02 bps)	**GNMA (30 Yr) 7% Coupon:** 105 (4.20%)
6 Mo. T-Bill	0.47 (+02 bps)	**Duration:** 2.89 years
1 Yr. T-Bill	0.62 (+01 bps)	**30-Year Insured Revs**: 184.6% of 30 Yr. T-Bond
2 Yr. T-Note	0.94 (-02 bps)	**Bond Buyer 40 Yield**: 5.54% (-08 bps)
3 Yr. T-Note	1.31 (-07 bps)	**Crude Oil Futures**: 38.94 (+1.43)
5 Yr. T-Note	1.83 (-04 bps)	**Gold Futures**: 992.70 (+51.20)
10 Yr. T-Note	2.78 (-11 bps)	**Merrill Lynch High Yield Indices:**
30 Yr. T-Bond	3.56 (-11 bps)	**BB, 7-10 Yr.** 11.74% (+20 bps)
		B, 7-10 Yr. 14.35% (+37 bps)

Treasury prices were mostly higher for the week as fears that the federal government may need to take over stumbling banks, fears that sent investors back to the safety of Treasuries. Prices were higher Tuesday following the President's Day holiday on concerns over the exposure of European banks to Eastern European economies. Prices fell Wednesday as the Federal Reserve said it was exploring the possibility of buying government bonds but provided few details. Prices declined again Thursday on the announcement of the sale of $94 billion in short term debt this week. The bank and general economic fears pushed prices higher Friday, creating safe haven demand. Both housing starts and industrial production fell sharply in January. Major economic reports (and related consensus forecasts) for the coming week include: Tuesday: Bernanke Report on Economy & Fed Policy; Wednesday: January Existing Home Sales (4.80 million); Thursday: January Durable Goods Orders (-2.5%, Ex Transportation -2.1%), Initial Jobless Claims (630,000), and January New Home Sales (325,000); Friday: 4Q Preliminary GDP (-5.4%, Price Index -0.1%), February Chicago Purchasing Manager (33.3), and February Final U of Michigan Confidence (56.2).

US Stocks:

Weekly Index Performance

DJIA	7365.67 (-484.74,-6.2%)
S&P 500	770.05 (-56.79,-6.9%)
S&P MidCap	466.62 (-38.90,-7.7%)
S&P Small Cap	217.62 (-17.41,-7.4%)
NASDAQ Comp	1441.23 (-93.13,-6.1%)
Russell 2000	410.96 (-37.40,-8.3%)

Market Indicators

Strong Sectors: Consumer Staples, Telecomm, Health Care
Weak Sectors: Financials, Industrials, Energy
NYSE Advance/Decline: 203 / 3,017
NYSE New Highs/New Lows: 4 / 618
AAII Bulls/Bears: 21.6% / 56.7%

U.S. stocks posted a second straight week of heavy losses as financial shares plummeted amid mounting insolvency fears and growing talk about nationalization. Financials fell almost 16% for the week led by **Bank of America** and **Citigroup,** down 32% and 44% respectively. Credit card companies including **American Express**, **Capital One** and **Discover** were also under pressure amid rising delinquencies and charge-offs. **GM** and **Chrysler** submitted further details on how they plan to survive the recession which included receiving $20 billion more in aid from the government. Gold continued to benefit from a flight to safety closing the week just above $1000/oz. Economic data failed to show any signs of a bottom as Empire State Manufacturing sank and housing starts hit record lows. President Obama unveiled a $275 billion housing stabilization program which included plans to stem foreclosures. **Sirius Satellite** avoided bankruptcy after receiving a $530 investment from **Liberty Media**. **Hewlett-Packard** cited weak hardware and international sales as reasons for its earnings miss. Higher costs and disappointing international sales caused **Deere** to report profits down 45% from the prior year. **Comcast** reported results ahead of forecasts but a drop in subscribers dragged the shares down. **Wal-Mart** reported results ahead of forecasts and the stock gained 7% for the week. **Teva Pharmaceuticals** and **Medtronic** reported solid quarters in the healthcare space. Looking ahead, a handful of economic reports this week including updates on housing will be closely followed. Stocks could be due for a bounce should the string of negative news flow relent; however, a credible plan for the financial and housing sectors will be needed for stocks to make a sustainable move higher.