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

For The Week Ended July 2nd, 2009
Weekly Market Commentary & Developments

US Economy and Credit Markets:

Yields and Weekly Changes:

Mo. T-Bill	0.15 (-02 bps)	**GNMA (30 Yr) 6% Coupon:** 104-10/32 (4.32%)	
6 Mo. T-Bill	0.29 (unch.)	**Duration:** 3.29 years	
1 Yr. T-Bill	0.47 (+07 bps)	**30-Year Insured Revs**: 159.9% of 30 Yr. T-Bond	
2 Yr. T-Note	0.98 (-12 bps)	**Bond Buyer 40 Yield**: 5.62% (+19 bps)	
3 Yr. T-Note	1.48 (-14 bps)	**Crude Oil Futures**: 66.66 (-2.68)	
5 Yr. T-Note	2.42 (-13 bps)	**Gold Futures**: 930.80 (-9.90)	
10 Yr. T-Note	3.49 (-04 bps)	**Merrill Lynch High Yield Indices:**	
30 Yr. T-Bond	4.31 (-02 bps)	**BB, 7-10 Yr.**	9.93% (-27 bps)
		B, 7-10 Yr.	12.05% (+04 bps)

Prices on Treasury notes rose slightly for the week. While there was some relatively positive news from the economy, the headline story was the continued weakness of the jobs market, as nonfarm payrolls fell by 467,000 in June, far exceeding forecasts of a decline of 365,000. While there were minor upward revisions to the totals for April and May, they were not enough to offset the concerns that improvement in the labor market will continue to be slow. The unemployment rate reached 9.5% (slightly better than the predicted 9.6%), its highest level in more than 25 years. The ISM Manufacturing Index increased in June, although the index is still not at a level indicating expansion. In addition, factory orders increased by 1.2% in May, led by a steep increase in transportation orders; the increase was the largest since June 2008. Excluding transportation orders, overall orders increased by 0.8%. Major economic reports (and related consensus forecasts) for next week include: Monday: June ISM Non-Manufacturing Index (46.0); Wednesday: May Consumer Credit (-$9.3 billion); Thursday: Initial Jobless Claims and May Wholesale Inventories (-1.0%); Thursday: May Trade Balance (-$30.0 billion), June Import Price Index (2.0%), and July Preliminary University of Michigan Consumer Confidence (70.6).

US Stocks:

Weekly Index Performance

DJIA	8280.74 (-157.65,-1.9%)
S&P 500	896.42 (-22.48,-2.5%)
S&P MidCap	565.03 (-11.70,-2.0%)
S&P Small Cap	263.12 (-6.37,-2.4%)
NASDAQ Comp	1796.52 (-41.70,-2.3%)
Russell 2000	497.21 (-16.01,-3.1%)

Market Indicators

Strong Sectors: Consumer Staples, Utilities, Technology
Weak Sectors: Financials, Materials, Industrials, Energy
NYSE Advance/Decline: 1,396 / 1,757
NYSE New Highs/New Lows: 57 / 10
AAII Bulls/Bears: 37.8% / 44.6%

US stocks fell on renewed concern over the pace of economic recovery as Thursday's worse than anticipated monthly employment report sent investors heading to the exits. Trading volume ahead of the Independence Day holiday weekend was light however, and other data points out during the week including the ISM manufacturing index, S&P Case Shiller Home Price Index and a reading on pending home sales were easily interpreted in a positive light. Crude oil and most other commodities declined while the dollar strengthened. Stocks completed their best quarter since 1998 with the S&P 500 registering a 15.2% advance. Still, it appears the market's bounce off the March lows has lost some steam, as June was a barely positive month for stocks. Earnings news for the holiday-shortened week was scant. **General Mills** reported an earnings beat and gave strong guidance partly attributed to lower input costs. **H&R Block** also beat estimates with its results. In other corporate news, **Abbott Labs** lost a $1.67 billion patent judgment to **Johnson & Johnson**, a decision the drugmaker plans to appeal. Looking ahead, calendar second quarter earnings reporting season begins this week with **Alcoa**'s results due out on Wednesday after the close of trading. With "less bad" perhaps no longer an appropriate benchmark for economic data in terms of igniting a rally, it remains to be seen exactly what in the way of earnings news will attract buying interest in stocks. Companies reporting year-over-year earnings growth for this quarter could be few and far between. On the other hand, not many companies these days are claiming business conditions are robust so investor expectations heading into earnings season could be set relatively low.