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

For The Week Ended January 8, 2010
Weekly Market Commentary & Developments

US Economy and Credit Markets:

Yields and Weekly Changes:

3 Mo. T-Bill	0.04 (unch.)	**GNMA (30 Yr) 6% Coupon:**	106-05/32 (3.13%)
6 Mo. T-Bill	0.14 (-04 bps)	**Duration:**	3.30 years
1 Yr. T-Bill	0.32 (-11 bps)	**30-Year Insured Revs**:	147.5% of 30 Yr. T-Bond
2 Yr. T-Note	0.96 (-16 bps)	**Bond Buyer 40 Yield**:	5.39% (-01 bps)
3 Yr. T-Note	1.53 (-14 bps)	**Crude Oil Futures**:	82.88 (+3.52)
5 Yr. T-Note	2.58 (-09 bps)	**Gold Futures**:	1137.40 (+41.20)
10 Yr. T-Note	3.83 (unch.)	**Merrill Lynch High Yield Indices:**	
30 Yr. T-Bond	4.71 (+07 bps)	**BB, 7-10 Yr.**	7.49% (-26 bps)
		B, 7-10 Yr.	8.64% (-26 bps)

Prices on the short end of the yield curve were higher this week as the yield curve steepened with the 2 year yield dropping 16 basis points and no change in the 10 year. Prices of shorter dated maturities rose Monday despite a rally in equities which followed the ISM Manufacturing Index report showing an increase in December to 55.9 vs. the expectation of 54.3. Prices continued higher Tuesday as investors were enticed by higher yields. Prices were mixed Wednesday as shorter dated maturities rose and longer maturities declined. Most prices were down modestly Thursday as investors anticipated positive news coming from Friday's employment report. Short dated maturities gained Friday as nonfarm payrolls unexpectedly declined 85,000 vs. the anticipation of no change. Major economic reports (and related consensus forecasts) for next week include: Tuesday: November Trade Balance (-$34.6 billion); Wednesday: Fed Beige Book, December Monthly Budget Statement (-$92.0 billion); Thursday: December Import Price Index (0.0%, 8.6% YoY), December Advance Retail Sales (0.5%, 0.3% Less Autos), November Business Inventories (0.2%); Friday: December CPI (0.2%, 2.8% YoY), December CPI Ex Food & Energy (0.1%, 1.8% YoY), January Empire Manufacturing (12.0), December Industrial Production (0.6%), December Capacity Utilization (71.7%), Preliminary January U of M Consumer Confidence (74.0).

US Stocks:

Weekly Index Performance

DJIA	10618.19 (+190.14,+1.8%)
S&P 500	1144.98 (+29.88,+2.7%)
S&P MidCap	752.08 (+25.41,+3.5%)
S&P Small Cap	341.47 (+8.84,+2.7%)
NASDAQ Comp	2317.17 (+48.02,+2.1%)
Russell 2000	644.56 (+19.17,+3.1%)

Market Indicators

Strong Sectors: Financials, Materials, Industrials
Weak Sectors: Telecomm, Utilities, Consumer Staples
NYSE Advance/Decline: 2,488 / 699
NYSE New Highs/New Lows: 858 / 6
AAII Bulls/Bears: 41.0% / 26.0%

US stocks started the new year with strong gains as investors focused on the week's positive data points. Manufacturing activity increased in December and holiday retail sales were generally positive. Investors shrugged off a disappointing jobless claims number on Friday. **Ford's** shares rose on strong December sales and market share gains. Overall, US vehicle sales beat forecasts in December. Airlines gained on encouraging December passenger trends. **Google** unveiled its smartphone offering, the Nexus One. **Family Dollar** reported strong December and 4Q comp store sales and improved gross margins. **Sears** boosted its 4Q earnings forecast on strong December same store sales results from **Kmart**. **Bed Bath & Beyond** reported earnings that handily surpassed forecasts and **TJX** reported strong December results. **Abercrombie & Fitch** was among those with disappointing December results. In merger news, **Kraft** agreed to sell its pizza business to **Nestlé** for $3.7 billion to raise cash for its **Cadbury** bid. Warren Buffett, a large **Kraft** shareholder, voiced opposition to an expensive **Cadbury** bid. **Novartis** bid $28 billion for **Nestlé's** 52% stake in Alcon. Looking ahead, earnings season kicks off on Monday. Few economic releases are scheduled so earnings will be the focus of attention. With companies having already slashed expenses in response to events of the past year in order to maintain profitability, investors will be looking for top-line improvement to drive earnings and thus stock prices from here. Overall, conditions remain favorable for further equity gains as economic conditions continue to improve and valuations remain reasonable.