First Trust

TALKING POINTS

A Recap of April 2008

The Economy

The consensus forecast from the Blue Chip Economic Indicators newsletter released in April '08 called for 1.4% real GDP growth for the U.S. in 2008, down from 1.5% the previous month. The last two quarters (Q4 & Q1) registered GDP growth of 0.6%. Brian Wesbury, Chief Economist at First Trust Advisors L.P., is forecasting 0.5% growth for Q2 and sees real growth rates approaching 4% in the second half of 2008. The Fed cut the federal funds target rate from 2.25% to 2.00% on April 30. Nonfarm payrolls declined by 20,000 in April – much better than the consensus estimate of 75,000.

Consumer Confidence	**62.3** (Apr)	64.5 (Mar)	Down
Crude Oil (Mo.-End)	**$113.46** (Apr)	$101.58 (Mar)	Up
Personal Spending	**0.4%** (Mar)	0.2% (Feb)	Up
ISM Manufacturing	**48.6** (Apr)	48.6 (Mar)	No Change
ISM Non-Manufacturing	**52.0** (Apr)	49.6 (Mar)	Up
Gold (Mo.-End)	**$865.10** (Apr)	$916.20 (Mar)	Down
Natural Gas (Mo.-End)	**$10.84** (Apr)	$10.10 (Mar)	Up
Construction Spending	**-1.1%** (Mar)	-0.3% (Feb)	Down
New Home Sales	**526,000** (Mar)	575,000 (Feb)	Down
Existing Home Sales	**4.93M** (Mar)	5.03M (Feb)	Down

The Stock Market

Index (Source: Bloomberg)	Apr	Y-T-D
S&P 500	4.87%	-5.03%
DJIA	4.70%	-2.63%
Nasdaq 100	7.63%	-7.89%
S&P 400	7.70%	-1.83%
Russell 2000	4.19%	-6.12%
MSCI World (ex U.S.)	5.66%	-3.36%
MSCI Emerging Markets	8.09%	-3.79%

Subsectors (Source: S&P)	Apr	Y-T-D
Coal & Consumable Fuels	18.5%	5.4%
Diversified Metals & Mining	17.6%	8.0%
Internet Software & Services	17.5%	-9.8%
Invest. Banking & Brokerage	14.5%	-15.9%
Health Care Facilities	13.1%	26.0%

U.S. and foreign stocks were up big in April. In the U.S., 106 out of the 130 subsectors that comprise the S&P 500 posted gains, up from 58 last month. The top sector was Energy up 10.9%. In April, the dividend-payers (386) in the S&P 500 (equal weight) posted a total return of 4.70%, vs. 7.12% for the non-payers (114), according to Standard & Poor's. Year-to-date, the payers declined 3.63%, vs. a loss of 4.92% for the non-payers. For the 12-month period ended April '08, payers fell 9.23%, vs. a decline of 12.17% for the non-payers. The number of dividend increases (S&P 500) year-to-date totaled 114. That lagged the 128 increases over the same period in 2007 and the 137 increases registered in 2006. While the debate over whether the U.S. economy is in recession or not carries on, it may be helpful to know how stocks perform in such downturns. Since 1953, the S&P 500 declined an average of 8.6% in the first half of recessionary periods, according to Citigroup Global Markets. The worst first-half showing in the past five recessions was -17.4% (12/73-3/75). The S&P 500 posted an average gain of 13.2% in the second half of recessionary periods since 1953. The best second-half showing in the past five recessions was +23.7% (8/81-11/82). The S&P 500 fell 18% from 10/9/07 (high) through 3/10/08 (low).

U.S. Dollar (U.S. Trade-Weighted Basket)	**0.9%** (Apr); -3.2% (Y-T-D)	$ was down 10.0% in '07	Up
CBOE Total Equity Options (# of contracts in millions)	**48.4** (4/30); 46.4 (3/31)	*Record 1/08: 55.1 million*	Up
Short Interest (NYSE)	Apr 15: **15.63B** (-2.37%); Mar 14: 16.01B (+11.2%)	*Record 3/08: 16.01 billion*	Down
S&P 500 P-E Ratio (Trailing 12-mo. earnings)	**21.12** (4/30); 18.34 (3/31)	*Avg. P-E is 20 over past 25 years*	Up

The Bond Market

Index (Source: Lehman)	Apr	Y-T-D	Yield
U.S. Treasury: Intermediate	-1.67%	2.80%	2.74%
GNMA 30 Year	-0.06%	2.42%	5.32%
Municipal Bond (22+)	3.04%	-1.22%	5.15%
U.S. Aggregate	-0.21%	1.95%	4.70%
Intermediate Corporate	0.50%	1.28%	5.62%
U.S. Corporate High Yield	4.31%	1.16%	10.02%
Global Aggregate	-1.91%	4.59%	4.12%
Global Emerging Markets	0.69%	2.18%	6.69%

The yield on the 10-Yr. T-Note rose 32 basis points in April closing at 3.73% – 89 basis points below the close on April 30, 2007. Bond investors moved in to take advantage of the wide corporate spreads, especially in the high yield market. Moody's adjusted its outlook on defaults calling for the global default rate to rise to 3-4% by the end of 2008, down from its earlier forecast of 5%, according to *Financial Week*. It cited stronger than expected corporate balance sheets for the revision. The global speculative-grade default rate stood at 1.5% in March. Long maturity municipal bonds enjoyed their second big month in a row posting a gain of 3.04%. Munis were up 3.94% in March. Some of the demand could be coming from investors concerned about the potential for higher tax rates in 2009 and 2010 should the Democrats win in November.

Key Rates as of April 30

Fed Funds	2.00%
2-Yr. T-Note	2.26%
10-Yr. T-Note	3.73%
30-Yr. Mortgage	5.89%
Bond Buyer 40	4.99%

Key Yield Spread

The spread between the Merrill Lynch High Yield Master II Index and the 10-Yr. T-Note was 637 basis points on 4/30/08. It was 306 on 4/30/07 and 740 on 3/31/08. *(Source: Bloomberg)*

2008 Debt Issuance through March
(Source: Thomson Financial)

Debt Category	$ Amount	% change over '07
Corporate	$198.5 Billion	-34.6%
Convertible	$6.5 Billion	-69.9%
Asset-Backed	$56.3 Billion	-82.6%
Municipal	$84.4 Billion	-21.5%

The Investment Climate

Net cash outflows from equity funds totaled $10.1 billion in 3/08, vs. inflows totaling $9.6 billion in 2/08, according to the Investment Company Institute. Bond funds took in $10.0 billion, down from inflows totaling $14.9 billion in 2/08. Money funds reported inflows totaling $56.8 billion, down from $96.1 billion in 2/08. Y-T-D thru 3/08, equity fund outflows totaled $45.2B, vs. bond fund inflows of $49.2B.