First Trust

Quarterly Market Overview

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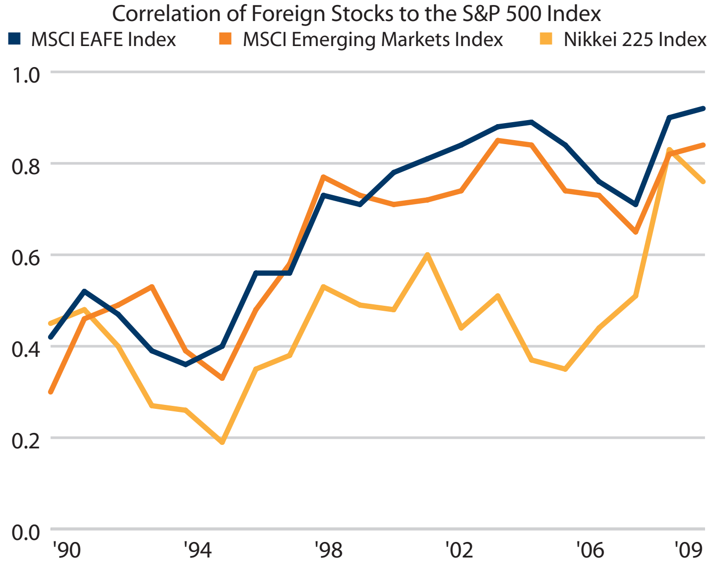
Robert F. Carey, CFA
Chief Investment Officer

Mr. Carey has over 23 years of experience as an Equity and Fixed-Income Analyst and is a recipient of the Chartered Financial Analyst (CFA) designation. He is a graduate of the University of Illinois at Champaign-Urbana with a B.S. in Physics. He is also a member of the CFA Society of Chicago and the CFA Institute.

Mr. Carey has appeared throughout the United States and Canada as a guest on television and radio programs. These programs include: Bloomberg TV, CNBC and Canada's Business News Network and on Chicago's WBBM Newsradio 780's Noon Business Hour. He has been quoted by several publications, including *The Wall Street Journal, The Wall Street Reporter, Bloomberg News Service, and Registered Rep.*

Correlations ain't what they used to be

Correlation of Foreign Stocks to the S&P 500 Index



Source: Bloomberg (Rolling 36-month periods from 1990-2009)

Twelve Largest Equity Markets
As of 4/7/10

	Market Cap.	% of World Cap.	Main Index	Annualized Price Return (12/89 - 3/10)
United States	$14.58T	30.24%	S&P 500	6.1%
Japan	$3.81T	7.90%	Nikkei 225	-4.0%
China	$3.26T	6.83%	Shanghai Composite	16.4%
United Kingdom	$3.06T	6.35%	FTSE 100	4.0%
Hong Kong	$2.41T	5.00%	Hang Seng	10.5%
France	$1.82T	3.78%	CAC-40	4.3%
Canada	$1.78T	3.69%	S&P/TSX Composite	6.3%
India	$1.42T	2.95%	BSE SENSEX 30	11.1%
Brazil	$1.35T	2.80%	Bovespa	16.8%
Germany	$1.35T	2.80%	DAX	7.1%
Australia	$1.34T	2.79%	S&P/ASX 300	7.2%
Switzerland	$1.09T	2.27%	Swiss Market	8.9%

Source: Bloomberg (Annualized price returns do not include reinvested dividends)
Note: Bovespa return from 1/92 & S&P/ASX 300 return from 5/92.

The lines are getting blurred

For anyone still struggling with the concept of globalization we offer you the following "poster company": Amway. This privately held direct sales company was founded in 1959 and is based in Ada, Michigan. Today, it calls itself Amway Global and generates worldwide sales totaling $8.4 billion. It operates in more than 80 countries and has over 3 million independent business owners distributing its products. One of its standing core principles is freedom – as in the freedom to live where one wants and the freedom to pursue one's causes. Guess where Amway Global sells the most product? China. Amway has 237 shops, 160,000 direct sales agents, and earns $3 billion in revenue in China, according to *BusinessWeek*.

The chart above shows that foreign stocks in both developed and emerging countries are more closely tracking the direction of U.S. stocks today than they were 20 years ago. Theories on why this is so may vary, but we would point to the gradual adoption of market-oriented economies across the globe. To take it a step further, 8 out of the top 12 largest equity markets worldwide (see chart at upper right) are ranked in the top 30 countries (out of 179) in the 2010 Index of Economic Freedom released by The Heritage Foundation. The four that are not are France (#64), Brazil (#113), India (#124) and China (#140). We like to think of the last three as works in progress. As it stands, investing in foreign stocks does offer some diversification benefits, but not enough to be the primary reason for doing so.

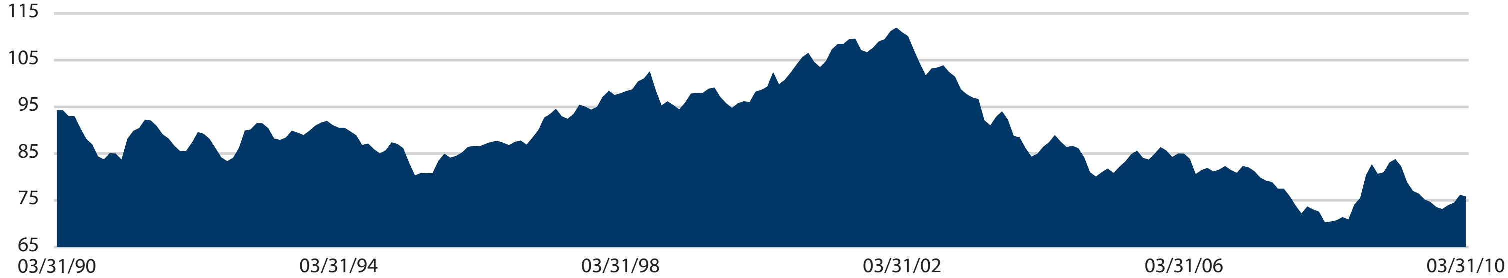
Pursuit of gains should supplant risk reduction as #1 goal

Twenty years ago some pundits told investors that it would behoove them to diversify 10% of their investment portfolio into foreign equities. The benefit was a reduction in overall risk stemming from the fact that business cycles throughout the globe were staggered. That meant that when the U.S. economy was heading into a recession there were economies overseas still in an expansion mode. In some cases, the spread between the cycles extended as long as two years. But due to the evolution of globalization, those imbalances no longer exist to the extent they once did. Just look at what has transpired in recent weeks. The potential need for a bailout of Greece's sovereign debt sent shock waves throughout global securities markets.

Let's go back to Q4'07. There was a serious discussion at that time as to whether the U.S.'s subprime meltdown would derail the global growth story. Some academics believed that emerging countries such as China and India, which were fueling global GDP growth to the tune of roughly 5.0%, would decouple from the U.S. economy and avoid recession. The premise was their economies and trading partners had become more diversified and thus were no longer dependent on the U.S. We were not in this camp and the theory was debunked by the end of 2008. Investors need to embrace the fact that the world is growing more interdependent with each passing day. While it is true that foreign stocks are more closely tracking the direction of U.S. stocks, their returns have largely been better (see chart).

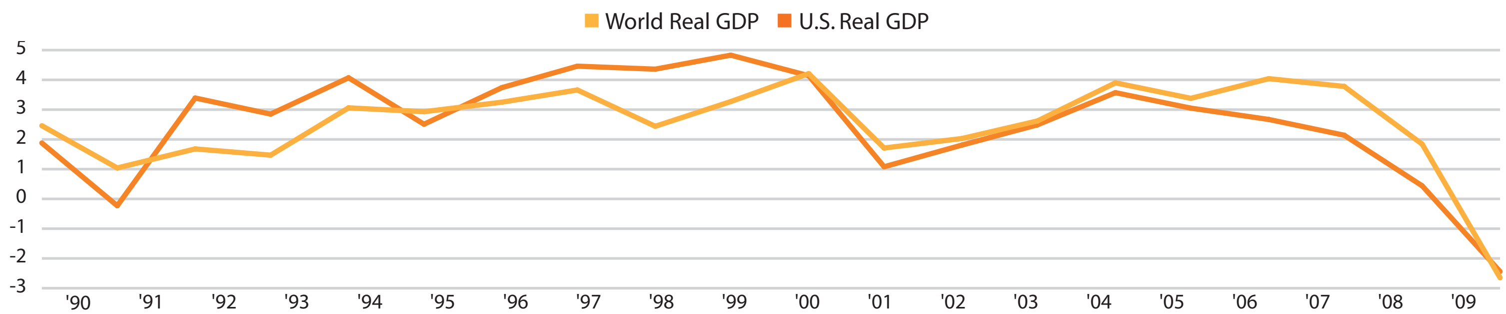
Will it be weakness in the dollar that catches your eye, the global growth story, or both?

U.S. Trade Weighted Major Currency Dollar Index (USTW$)



Source: Federal Reserve (U.S. dollar against a basket of major currencies)

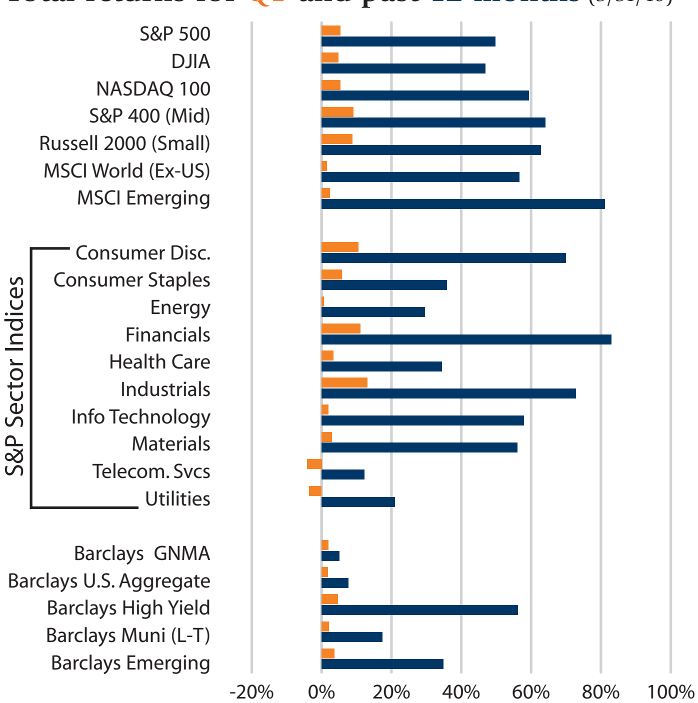
- ❑ $ fell 19.6% against a basket of major currencies over the 20-year span shown above. It was down 23.1% over the last 10 years.
- ❑ The last time the Fed tightened it took the federal funds rate from 1.00% to 5.25% (6/03-6/06). The $ fell 10.5% over that 36-mo. span.
- ❑ $ rose 2.5% against a basket of major currencies in Q1'10. The euro fell 6.5% against the $ in Q1 largely due to Greece's woes.
- ❑ $ will encounter headwind from our surging federal budget deficit. The CBO estimates a $600 billion average annual shortfall ('11-'20).



Source: USDA and the Bureau of Economic Analysis

- ❑ The world economy lagged the U.S. for most of the 1990s, but led the 2000s. As we noted earlier, the U.S. snuffed out growth in 2008.
- ❑ The International Monetary Fund estimates that World GDP growth rates will be 3.9% in '10 and 4.3% in '11, vs. 2.7% and 2.4% for the U.S.
- ❑ Last decade the buzz was about the U.S. outsourcing work overseas. Now it's about how those same countries are growing organically.
- ❑ U.S. firms benefit from global growth. Foreign sales for the companies in the S&P 500 grew from 41.8% in '03 to 47.9% in '08, according to S&P.

Total returns for *Q1* and past 12 months (3/31/10)



A Look Ahead:

The outlook for earnings (year-over-year comparison in $)...

	Q2'10E	Q2'09A	**Q3'10E**	Q3'09A	**2010E**	2009E
Financials	**3.09**	1.01	**3.48**	1.35	**13.17**	4.39
Information Technology	**5.51**	3.62	**6.02**	4.52	**23.75**	17.48
Health Care	**7.57**	6.60	**7.80**	6.92	**30.48**	26.41
Consumer Staples	**4.82**	4.62	**5.15**	4.88	**19.43**	18.36
Consumer Discretionary	**3.86**	2.77	**3.85**	3.49	**15.21**	10.96
Industrials	**3.81**	3.75	**4.10**	3.24	**15.53**	14.22
Telecom. Services	**1.88**	1.88	**1.89**	1.77	**7.50**	7.23
Energy	**8.21**	4.57	**8.77**	5.93	**33.26**	17.26
Utilities	**2.84**	2.52	**4.19**	3.81	**12.84**	11.50
Materials	**3.28**	1.67	**2.90**	2.27	**11.73**	7.09
S&P 500 Index	**18.97**	13.81	**20.45**	15.78	**78.05**	56.87
S&P 400 Index (Mid-Cap)	**9.90**	7.52	**11.21**	8.50	**41.95**	27.59
S&P 600 Index (Small-Cap)	**4.05**	1.83	**4.78**	2.26	**17.22**	7.62

Source: Standard & Poor's (3/31/10)