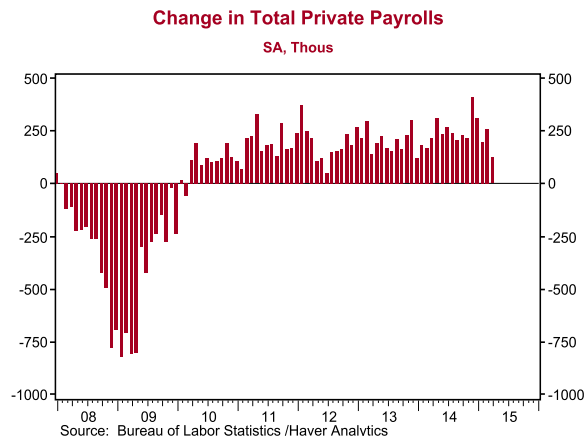


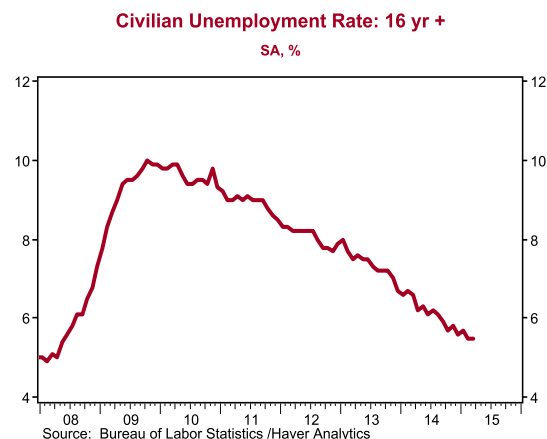
March Employment Report

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- Nonfarm payrolls increased 126,000 in March (57,000 including revisions to prior months), falling well short of the consensus expected 245,000.
- Private sector payrolls increased 129,000 in March, while January and February were revised down by a combined 59,000. The largest gains were for professional & business services (+40,000, including temps), education & health (+38,000), and retail (+26,000). The largest drag was mining (-11,000). Manufacturing payrolls slipped 1,000 while government declined 3,000.
- The unemployment rate remained at 5.5% (5.465% unrounded in March versus 5.545% unrounded in February).
- Average hourly earnings – cash earnings, excluding tips, commissions, bonuses, and fringe benefits – increased 0.3% in March and are up 2.1% versus a year ago.



Implications: This data was released on Good Friday, when markets were closed, but it didn't stop the pessimists from over-reacting. There's little doubt that job creation was slower in March, with nonfarm payrolls increasing only 126,000 and revised down for prior months. Meanwhile, civilian employment, an alternative measure of jobs that includes small business start-ups, increased a weak 34,000. But, it's only one month, just like the payroll increase of 423,000 back in November was only one month. In the past six months – so including last month's slowdown – payrolls are up 261,000 per month, the exact same as in the prior six month period. So what we have here is normal volatility around a trend, not something to get worried about. If anything, we should be surprised job growth has held up so well in the past six months, given unusually bad winter weather, west coast port strikes that led to parts shortages, and the steep drop in energy prices. Mining payrolls fell 11,000 in March and are down 30,000 since the start of the year. The other bad news for March is that the labor force participation rate slipped back down to 62.7%, tying the lowest level since the late 1970s. In addition, total hours worked declined 0.2% as firms shortened the workweek to an average of 34.5 hours per worker from 34.6. But the report from Friday also had some good news. Average hourly earnings increased 0.3% in March and, as a result, total cash earnings are up 4.9% from a year ago, which means consumers have plenty of fuel to increase spending. In addition, the median duration of unemployment fell to 12.2 weeks, the lowest so far in the recovery. We do not agree with the view that Friday's report eases pressure on the Federal Reserve to start raising short-term interest rates. We will get two more employment reports before the Fed's June meeting and we expect job creation to be back up around the trend of the past year, while the unemployment rate continues to edge down and wage growth shows more signs of acceleration. These are not reasons for delaying rate hikes.



Employment Report <i>All Data Seasonally Adjusted</i>	Mar-15	Feb-15	Jan-15	3-month moving avg	6-month moving avg	12-month moving avg
Unemployment Rate	5.5	5.5	5.7	5.6	5.6	5.9
Civilian Employment (monthly change in thousands)	34	96	434	188	236	189
Nonfarm Payrolls (monthly change in thousands)	126	264	201	197	261	261
Construction	-1	29	41	23	26	24
Manufacturing	-1	2	17	6	18	16
Retail Trade	26	32	35	31	30	27
Finance, Insurance and Real Estate	8	7	19	11	13	13
Professional and Business Services	40	42	20	34	52	55
Education and Health Services	38	57	42	46	45	45
Leisure and Hospitality	13	70	24	36	43	41
Government	-3	0	-1	-1	3	6
Avg. Hourly Earnings: Total Private*	0.3%	0.1%	0.6%	4.0%	2.5%	2.1%
Avg. Weekly Hours: Total Private	34.5	34.6	34.6	34.6	34.6	34.5
Index of Aggregate Weekly Hours: Total Private*	-0.2%	0.3%	0.1%	0.8%	2.8%	2.7%

*3, 6 and 12 month figures are % change annualized

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