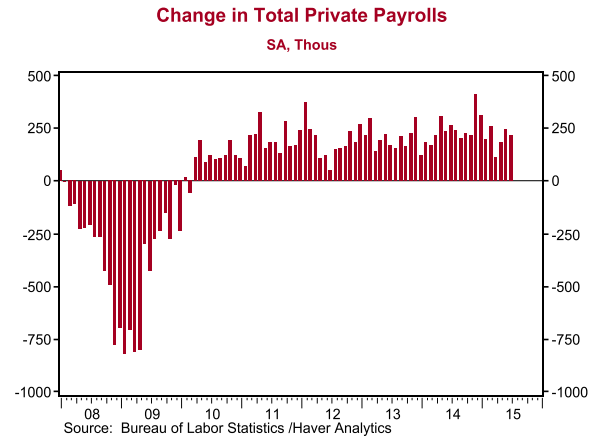


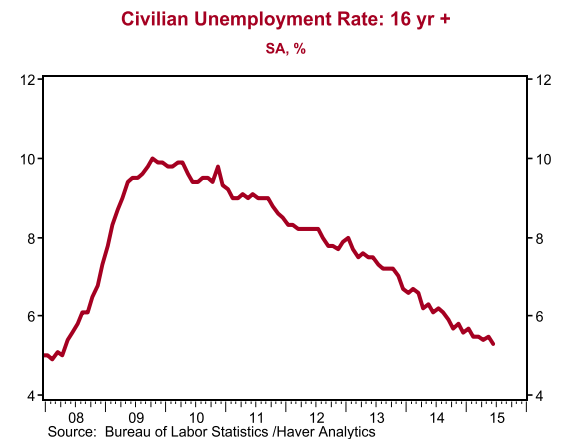
June Employment Report

Brian S. Wesbury – Chief Economist
Robert Stein, CFA – Dep. Chief Economist
Strider Elass – Economist

- Nonfarm payrolls increased 223,000 in June, very close to the consensus expected 233,000. Including revisions to prior months, nonfarm payrolls increased 163,000.
- Private sector payrolls increased 223,000 in June, while April and May were revised down a combined 29,000. The largest gains were for professional & business services (+64,000, including temps), health & social assistance (+53,000), and retail (+33,000). Manufacturing payrolls rose 4,000 while government was unchanged.
- The unemployment rate fell to 5.3% (5.285% unrounded in June versus 5.508% unrounded in May).
- Average hourly earnings – cash earnings, excluding tips, commissions, bonuses, and fringe benefits – were unchanged in June but are up 2.0% versus a year ago.



Implications: Today’s report on the labor market shows continued improvement, but not quite as much as the consensus expected. Nonfarm payrolls increased a solid 223,000 in June, close to the average of 245,000 in the past year. Meanwhile, the jobless rate fell to 5.3%, the lowest since early 2008 and very close to the roughly 5.1% the Federal Reserve thinks is the long-run average. However, the details of the report were weaker than the headlines. The drop in the unemployment rate was due to a 432,000 decline in the labor force as the participation rate fell to 62.6%, the lowest since 1977. Civilian employment, an alternative measure of jobs that includes small business start-ups, declined 56,000. Although certainly not good news, don’t overreact to this month’s negative news on civilian employment or the size of the labor force. These figures are volatile from month to month, have both been trending up in the past year, and may have been influenced in June by the timing of the end of the school year. In other words, don’t lose sight of the fact that this is the 64th month in a row with growth in private payrolls, the longest streak since at least the late 1930s. Other details in today’s report were mixed. The good news was that the median duration of unemployment fell to 11.3 weeks, the lowest so far in the recovery. To put this in perspective, the median duration was 17.0 weeks at the end of 2013, which shows what a difference it made when Congress ended extended unemployment benefits at the beginning of 2014. The weak news was that average hourly earnings were unchanged in June and are up a tepid 2.0% in the past year. However, combined with increases in hours worked, workers’ total cash earnings are up 4.4% versus a year ago, more than enough for consumers to increase their spending. In other news this morning, new claims for unemployment benefits increased 10,000 to 281,000, the 17th straight week below 300,000. Continuing claims rose 15,000 to 2.26 million. These figures are consistent with continued payroll growth north of 200,000 per month. Also, late yesterday automakers reported sales at a 17.2 million annual rate in June, down 3.5% from May’s torrid pace, but still up 1.5% from a year ago. Putting this all together, the economic recovery has been a Plow Horse and remains a Plow Horse. It’s not the boom of the 1980s or 1990s – not even close – but it continues to move forward.



Employment Report <i>All Data Seasonally Adjusted</i>	Jun-15	May-15	Apr-15	3-month moving avg	6-month moving avg	12-month moving avg
Unemployment Rate	5.3	5.5	5.4	5.4	5.5	5.7
Civilian Employment (monthly change in thousands)	-56	272	192	136	162	184
Nonfarm Payrolls (monthly change in thousands)	223	254	187	221	208	245
Construction	0	15	30	15	18	22
Manufacturing	4	7	0	4	6	13
Retail Trade	33	26	11	23	27	25
Finance, Insurance and Real Estate	20	10	7	12	13	13
Professional and Business Services	64	74	66	68	52	56
Education and Health Services	50	56	54	53	51	48
Leisure and Hospitality	22	54	8	28	29	35
Government	0	4	-2	1	1	5
Avg. Hourly Earnings: Total Private*	0.0%	0.2%	0.2%	1.6%	2.7%	2.0%
Avg. Weekly Hours: Total Private	34.5	34.5	34.5	34.5	34.5	34.5
Index of Aggregate Weekly Hours: Total Private*	0.2%	0.2%	0.1%	2.0%	1.4%	2.4%

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

This report was prepared by First Trust Advisors L. P., and reflects the current opinion of the authors. It is based upon sources and data believed to be accurate and reliable. Opinions and forward looking statements expressed are subject to change without notice. This information does not constitute a solicitation or an offer to buy or sell any security.