

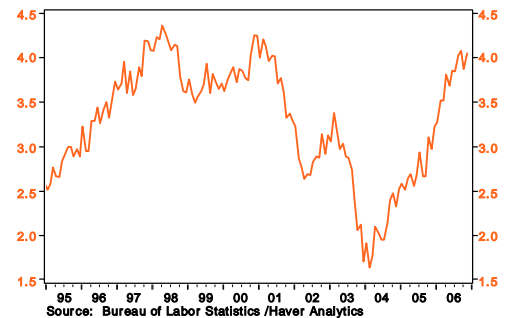
NOVEMBER EMPLOYMENT REPORT

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- Non-farm payrolls increased by 132,000 in November, slightly more than the consensus expected. Revised data for September and October show 42,000 more jobs than previously thought.
- The household survey once again showed more job gains than the establishment survey – reporting 277,000 new jobs in November. The labor force surged by 383,000 lifting the unemployment rate slightly higher to a still low 4.5%.
- Average hourly earnings increased 0.2% in November and are up 4.1% in the past year – well above the 25-year average of 3.2% annual gains.

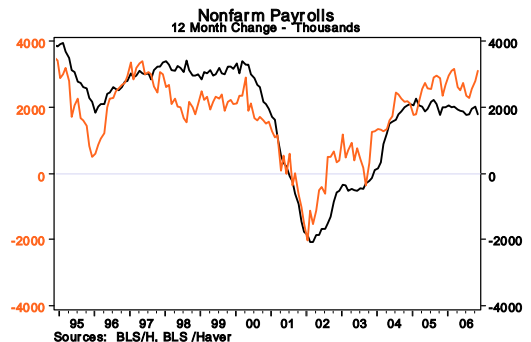
Implications: The job market refuses to cooperate with pessimistic forecasts. Non-farm payrolls increased by 132,000 in November and revisions added 42,000 more jobs to the previous two months. Upward revisions have become a consistent pattern because the payroll survey persistently underestimates small business and self-employment. The Household survey captures these jobs and reported 277,000 new jobs in November. In the past 12 months, household employment is up 3.08 million, making 2006 the strongest year for job gains since 1997. The 0.2% increase in average hourly earnings for November should result in a 2.1% year-over-year growth rate for real (inflation-adjusted) average hourly earnings. Remember, these real earnings do not include tips, bonuses, commissions, or employer-paid benefits. As a result, these gains in real earnings continue the recent trend toward much stronger income growth. While this is good news for retailers this holiday shopping season, it will also increase concern at the Fed about a tight labor market. While construction and manufacturing jobs both declined in November, job gains in other sectors were widespread and 20,000 new retail jobs is another positive sign for holiday retail spending. While employment is a lagging indicator of economic growth, it appears that weakness in the US economy has been contained to the housing and auto sectors. Strength in the service sector, rising wages, robust productivity, gangbuster profits and solid job gains suggest that the economy is nowhere near a recession.

Average Hourly Earnings: Total Private Industries
% Change - Year to Year SA, \$/Hour



Source: Bureau of Labor Statistics /Haver Analytics

Civilian Employment:
12 Month Change - Thousands



Sources: BLS/H, BLS /Haver

Employment Report	Nov-06	Oct-06	Sep-06	3-month moving avg	6-month moving avg	12-month moving avg
Nonfarm Payrolls (monthly change in thousands)	132	79	203	138	150	149
<i>Goods-Producing Industries</i>	-40	-62	-8	-37	-15	4
<i>Mining</i>	4	6	4	4	4	5
<i>Construction</i>	-29	-24	-1	-18	-7	4
<i>Manufacturing</i>	-15	-44	-9	-23	-12	-4
<i>Service-Producing Industries</i>	172	141	211	175	165	145
<i>Retail Trade</i>	20	2	-5	6	1	-5
<i>Finance, Insurance and Real Estate</i>	11	0	27	13	9	13
<i>Government</i>	18	28	56	34	33	20
Avg. Hourly Earnings: Priv. Nonfarm Payrolls*	0.2%	0.4%	0.2%	3.1%	3.9%	4.1%
Avg. Weekly Hours: Priv. Non-agric	33.9	33.9	33.8	33.9	33.9	33.8
Avg. Weekly Hours: Manufacturing	41.1	41.2	41.1	41.1	41.2	41.1
Index of Aggregate Weekly Hours*	0.1%	0.3%	0.1%	1.9%	1.7%	2.0%
Unemployment Rate	4.5	4.4	4.6	4.5	4.6	4.7
Labor Force	383	199	101	228	232	183
Civilian Employment	277	437	271	328	265	246

Source: Bureau of Labor Statistics

*3, 6 month figures are % change annualized; 12 mo. = year over year % change

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