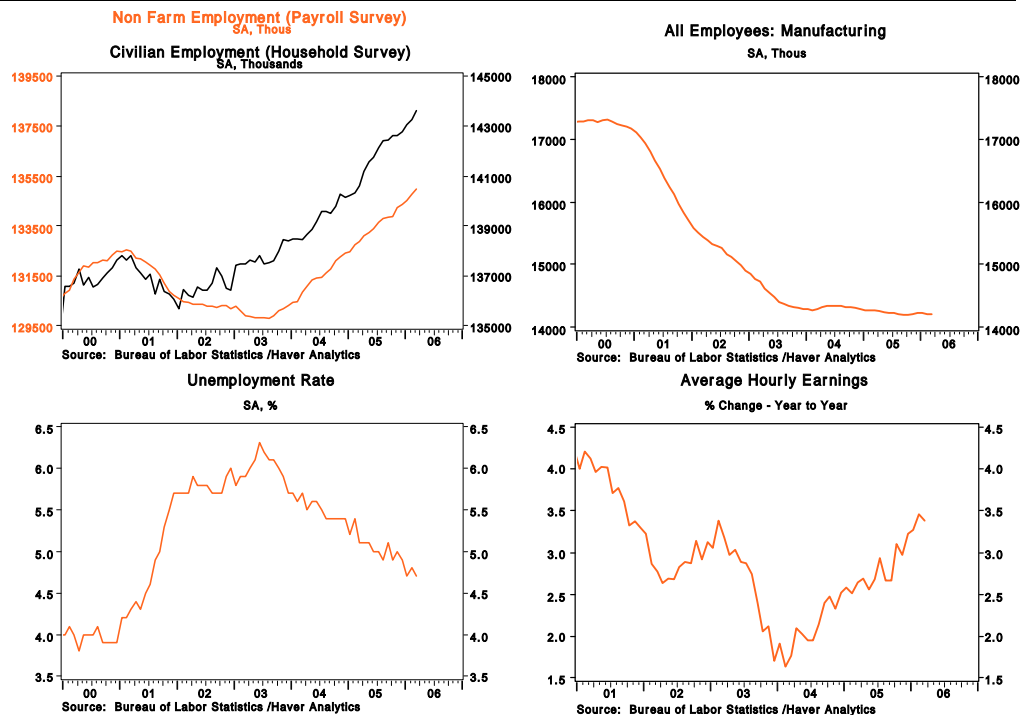


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MARCH EMPLOYMENT REPORT

- As expected, non-farm payrolls increased by 211,000 jobs in March. Payrolls were revised down by a total of 34,000 in January and February.
- The household survey reported that employment increased by 384,000 last month, while the labor force increased 203,000. As a result, the unemployment rate fell to a 4 1/2-year low of 4.7%.
- Average hourly earnings increased 0.2% in March after an upwardly revised 0.4% gain in February (originally +0.3%). Average hourly earnings are up 3.4% in the past year.

Implications: The labor market is booming. In the first three months of 2006, non-farm payrolls have added 590,000 jobs and the household survey shows an increase of 862,000 jobs. The unemployment rate and the YOY gain in average hourly earnings are at or near post-recession records. With jobs plentiful and wages increasing, the labor force has bulged by 499,000 in 2006. While we do not believe that a tight labor market causes inflation, Fed models do. As a result, we expect today's data will push the Fed to tighten in May and continue to increase the fed funds rate to 5.5% sometime in the next 12 months. We do not believe rates at this level will hurt the economy or equity market. From 1995-1999 the fed funds rate averaged 5.4%, yet the economy boomed and the US experienced one of the best bull markets in its history. The catalysts for this expansion are massive productivity gains and the pro-growth tax cut of 2003. These two factors should keep economic growth and labor markets strong for the foreseeable future.



Employment Report	Mar-06	Feb-06	Jan-06	3-month moving avg	6-month moving avg	12-month moving avg
Nonfarm Payrolls (monthly change in thousands)	211	225	154	197	188	174
<i>Goods-Producing Industries</i>	9	31	53	31	39	25
Mining	6	5	4	5	5	4
Construction	7	37	44	29	30	26
Manufacturing	-5	-10	5	-3	4	-5
<i>Service-Producing Industries</i>	202	194	101	166	149	149
Retail Trade	29	12	0	14	12	11
Finance, Insurance and Real Estate	16	21	21	19	18	15
Government	24	35	-34	8	8	13
Avg. Hourly Earnings: Priv. Nonfarm Payrolls*	0.2%	0.4%	0.3%	3.5%	3.7%	3.4%
Avg. Weekly Hours: Priv. Non-agric	33.8	33.8	33.8	33.8	33.8	33.8
Avg. Weekly Hours: Manufacturing	41.0	41.0	40.9	41.0	40.9	40.7
Index of Aggregate Weekly Hours*	0.2%	0.2%	0.3%	2.7%	2.5%	2.6%
Unemployment Rate	4.7	4.8	4.7	4.7	4.8	4.9
Labor Force	203	335	-39	166	95	203
Civilian Employment	384	183	295	287	201	253

Source: Bureau of Labor Statistics

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

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